

# BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

JULY 1947



"A far cry from making loans to farmers . . ." (page 42)

## The Outlook for Bank Earnings

(page 25)

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make  
the  
loans



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# BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION



## THIS MONTH'S COVER

In this month's cover picture stockholders of the Standard Oil Company (New Jersey) are arriving at a Flemington, N. J., movie theatre for their annual meeting. A Flemington bank keeps the stockholder records for the company, and for several other large corporations that make Flemington their corporate home. See "The Stockholders Stay for Lunch," page 42

*Editor* WILLIAM R. KUHNS

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## A REACTION THAT SPREADS AND SPREADS

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# Just a minute

## What About Earnings?

OUR leading article this month is the bread-and-butter variety. JAMES W. WOOSTER, JR., who has written for us several times, takes a look at the subject on which he is an expert, the outlook for bank earnings.

Analyzing the chief causes of lower earnings, he examines the prospect for three important determinants of bank operating profits: costs of production, volume of business and selling prices. He finds that the cost rise, "although substantial on a dollar basis, has been kept under satisfactory control in relation to the increased business handled." There are signs that volume has stabilized "around its present level, which is still relatively high;" and it is "encouraging that within this framework of high over-all volume the outlook is best for the kinds of business producing the highest margins of operating profit, i.e., loans."

As for "selling prices," Mr. WOOSTER says that on certain types of business such as less than prime loans and in some cases services, including checking account and trust department activities, they "do not appear adequate to compensate for the risks and expenses involved."

Our expert believes the general picture "offers a sound basis for optimism in that most of the unfavorable elements are susceptible to constructive action on the part of bankers themselves." In other words, the earnings outlook for banks "is largely what bankers make it." If they'll work for greater operating efficiency, merchandise aggressively, and price their products correctly, explaining the reasons, "then the outlook for a satisfactory level of bank earnings and for a living wage for the capital invested in the banking business is far from discouraging."

## Mr. Will

W. W. CAMPBELL of Forrest City, Arkansas, is much more than president of the National Bank of Eastern Arkansas. His community interests and activities are too numerous to list here—or in the story KARL DETZER writes about him in this issue. But you could sum them up by saying that they qualify Banker Campbell for the best of all honorary degrees, Good Neighbor.

Mr. DETZER visited WILL CAMPBELL and found that he heads "one of the most spectacularly successful small-town banks in America." Our reporter also learned that this banker, in 36 years of banking, has never foreclosed a mortgage.

"Never had to!" explained WILL CAMPBELL. "We figure that when a man has run into hard luck and can't meet his payments on time, that's when

"Comes the revolution, that's mine!"



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he really needs his banker's help. We make a practice of helping such people if they're trying to help themselves."

And the folks in St. Francis County (the bank's "trade area") are doing just that, thanks in no small measure to WILL CAMPBELL. For years he has preached, explained and extolled soil conservation, crop rotation and diversification, community development.

A dirt farmer, searching his vocabulary for the word that would best describe his banker-friend, labelled him: "Substantial. That's what Mr. Will is—substantial."

"No Bank Is Stronger Than Its Friends," the title of our article, is a phrase used by the subject of the sketch.

### Presto!

J. G. THOMPSON, Jr., president of The First National Bank of Middleburg, Pennsylvania, is also a magician.

He has been a professional; we understand that when he was elected cashier of the bank several years ago the directors suggested—tactfully, of course—abandonment of that status. Some of the depositors might be a little nervous. . . .

In any event, Mr. THOMPSON is still very much a magician and has been for a long time. Recently BANKING backed him into a corner, waved the editorial wand and requested a story about his hobby. And "Presto!", it's in this issue.

It tells how Mr. THOMPSON became interested in magic (yes, he started with a boy's "magic set"), relates a number of interesting anecdotes, offers a few

(CONTINUED ON PAGE 6)

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# Why the Railroads Can't Afford NOT to Modernize!

*A Dollars-and-cents Example That Will Interest  
Travelers, Labor and Investors*

For a long time the C&O has said that America's railroads must modernize their passenger equipment—or forfeit a great opportunity.

In print and in private we have lampooned the "rolling tenements" that still pass for sleeping cars. We have stumped for modern streamlined trains to replace tired, creaking old day coaches. And over and over we have stated that, given attractive equipment, and new comforts and services, railroads could open the door on a new era of travel... *The C&O is replacing every old sleeping car, day coach and diner on its main lines, with streamlined cars.*

### *But Is It Practical?*

Standpatters in the industry are still shaking their heads. But lately more reasonable people have been asking, "How can the large-scale replacement of old trains be practical?"

They point out that several of our largest systems had serious deficits in 1946. And everyone knows that the railroads are caught between rocketing costs and lagging rates. "How," they ask, "can such an industry afford large outlays for new equipment?"

The answer is that the railroads can't afford *not* to make these outlays. And here is a dollars-and-cents example:

### *The Investment That Is Fast Returning Its Cost*

Last August one of the C&O Lines, the Pere Marquette, installed two new day-time streamliners—the last word in passenger attractiveness.

The new trains have carried 86% more passengers than old trains carried over the same route during the same period of the previous year—when traffic was still swollen by war emergencies.



*Which will it be—modernization or continued deficits?*

Here is the proof of the pudding: In less than 4 years, at the present rate, the increase in passenger receipts will equal the total cost of the trains!

Modern equipment is not a luxury that only a few fortunate systems, like the C&O, can afford. Even a bankrupt railroad can borrow money today to buy such equipment at 2% interest.

### *Which Way Do We Go?*

Railroads now face a critical choice:

If pessimist thinking, old-line practices and Toonerville equipment continue to be tolerated, then regardless of rate relief, further deficits and bankruptcies are certain.

But, if, on the other hand, these liabilities are replaced by modern ideas and modern trains, our railroads can again be a credit to our country. They can also be a bulwark of our national defense, which, as every citizen knows, depends on a flourishing transportation system.

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Mid-Year Survey  
OF  
The Municipal Bond  
Market

### Trends and Outlook in the Municipal Bond Market

For many years, American municipal bonds have been of prime interest to those seeking conservatism and security in their investments. Now, with the rapid reduction in the supply of tax-free United States Government bonds, municipal obligations increasingly provide the primary recourse for investors wishing to minimize tax liability.

To both large institutional investors and individuals, whether experienced or contemplating their first purchase of municipal bonds, this Mid-Year Survey presents timely and helpful information. It examines factors currently affecting the investment opportunities in municipal bonds, discusses the supply of and demand for such issues, inquires into the tax outlook and price trends.

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Use this request form — at no cost.

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### JUST A MINUTE—Continued

hints for tyros, and tells you absolutely nothing about the trade's secrets. Magicians, in case you don't know one, are as close-mouthed as the F.B.I. men.

Mr. THOMPSON is not only a prestidigitator of parts, an escape artist, a card expert and a telepathist; he has also invented numerous tricks. And he writes for the magicians' press.

The white rabbits, pigeons, silks, packing boxes and other paraphernalia of this banker-legerdemainist await you on page 22.

### Prognosis

THE risk of our private lending institutions in the current decline in construction activity," says MILES L. COLEAN, "is not one of serious monetary loss. Price declines are not likely to be sufficient to impair, or even dangerously disturb, the mortgage structure, a good part of which is pretty well protected by government guarantees."

Rather, asserts the 20th Century Fund's authority on housing, in this month's BANKING article, "the risk is that, out of the peculiar characteristics which this recession might develop, there may follow a new wave of governmental encroachment upon the mortgage credit system of the country that would leave it private in name only—if that."

Mr. COLEAN develops his theme to the conclusion that private lending institutions "must understand both

(CONTINUED ON PAGE 11)

"Other banks just photograph the checks!"



WARREN EVANS, JR.



## CABIN IN CAMPUS MARTIUS

HOSTILE INDIANS were still attacking settlers in 1788 when the vanguard of forty-eight members of the Ohio Company arrived at the Muskingum River to establish the first officially sanctioned settlement in the Northwest Territory. Thus the chief concern of these cautious veterans of the Revolution was to build a fortification for the protection of the rest of the group and their families who were to follow at a later date. As their leader, General Rufus Putnam, wrote in his memoirs, "I was fully persuaded that the Indians would not be peaceable very long — hence the propriety of immediately erecting a cover for the Emigrants who were soon expected."

As a fortification, the settlers constructed a stockade in the form of a hollow square, occupying some eight acres, with two-story cabins along the sides and blockhouses at the corners.



*The Father of Ohio*

General Putnam's own cabin adjoined the southeast blockhouse and consisted of two rooms downstairs and two upstairs. His family joined him there in November, 1790.

The settlers named their new town Marietta in honor of Queen Marie Antoinette; for their fortress they chose the classical name of Campus Martius which was taken from the drill field of ancient Rome.

The superintendent of the colony was General Putnam who had been chief engineer of the army during the Revolution, designer of the fortifications at West Point and moving spirit in the establishment of the Ohio Company. From surviving papers it is evident

that he was required to arbitrate all sorts of questions, calling for humor as well as good

judgment. This, for instance, was an order on a store for the relief of a bereaved Indian woman: "Pleze to Deliver the widow of the murdered Indian Such goods as she shall chuze to wipe away her Tears to the amount of Five Dollars."

During the five years of the Indian war the residents of Campus Martius remained safe from attack within their fort. The more daring men ventured out to farm, hunt game and scout for Indians; some lost their lives in such forays but the Marietta people killed very few Indians. In the words of their General Putnam, "Providence



*The living room today, furnished in the style of Putnam's period*

so ordered that in the course of the War we obtained two Indian Schelps, & believe we killed a third."

After the war Putnam enlarged his cabin in Campus Martius and continued to make his home there until his death in 1824. It stands today in its original form in a wing of the Campus Martius State Memorial Museum in Marietta. Appropriately, the one house to be preserved from the state's early days is that of the man who has been called the Father of Ohio.

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## What it does for the Depositor

Saves him time—less waiting in line, deposit transactions completed as much as 30% faster!

Eliminates nuisance of passbook—or the need for duplicate deposit tickets.

Increases his protection—registered receipt proves that bank received deposit for amount shown.

Increases his privacy—receipt shows amount of only one deposit; depositor's identity is not disclosed to others in case of lost receipt.

## What it does for the Bank

Wins public goodwill—faster, better window service, with shorter lines and less lobby congestion, marks bank as modern and progressive.

Speeds internal work—faster flow of items to proof department, and faster cage balancing.

Increases accuracy—depositor's and bank's records are in agreement.

Increases protection—deposit tickets and journal kept by machine provide complete record of cage transactions.

# Join Customer Service!

## THE BURROUGHS COMMERCIAL TELLER'S MACHINE

Proved in banks from coast to coast  
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in the field!

You'll win compliments from old customers. You'll win new customers. You'll receive widespread goodwill and publicity for your alertness to new developments and your use of modern methods!

That's been the experience of banks everywhere that have mechanized and improved their service with Burroughs Commercial Teller's Machines. And their experience dates clear back to 1939, when this

machine was quietly introduced and thoroughly tested under all operating conditions.

Since then, this new service has swept the country on its own... so gratifying the public response, and so many the benefits to banks. Today, the list of enthusiastic users includes banks all over the country, and the demand is increasing every week!

What would you like to know about this great new development? How the machine handles every type of transaction? How other banks have introduced this new service and gained widespread publicity and goodwill? Where you can see an actual installation? Call your nearest Burroughs office for the answers to these and all your questions.

### What Users Say About This New Service

Here are just a few of the many comments received from users of Burroughs Commercial Teller's Machines.

"ANOTHER STEP FORWARD IN BANKING... machines are doing a job for us... speeded up operation between teller and customer... enable us to move daily work to proof department faster."

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"CUSTOMERS RECEIVE BETTER, FASTER SERVICE... stationery cost reduced... depositors appreciate the faster service, the neatness and accuracy and the official machine-validated receipt."

PACIFIC NATIONAL BANK, Seattle, Wash.

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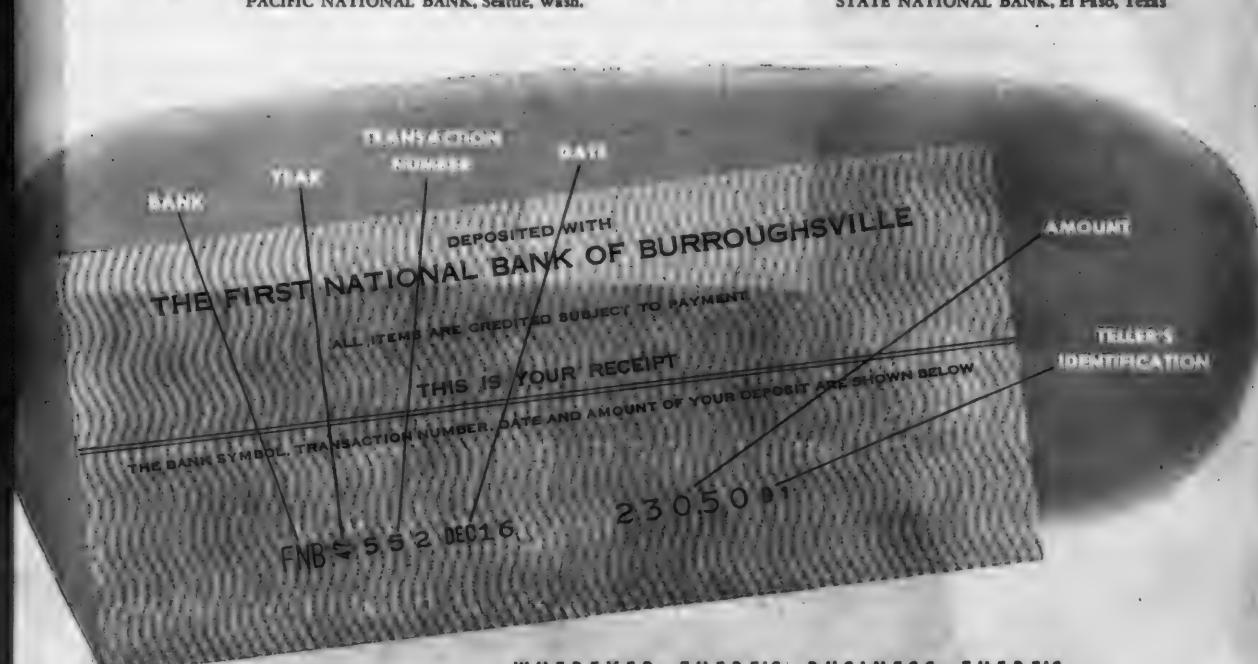
NATIONAL BANK OF WASHINGTON, Tacoma

"NO DIFFICULTY IN CHANGE-OVER... feel this is most constructive advance in bank mechanical equipment in recent years... differences more easily located."

NIAGARA NATIONAL BANK, Buffalo, N. Y.

"TELLERS ASSISTED IN BALANCING... change-over to machines and discontinuance of passbooks made with virtually no difficulty... customers very well pleased... lobby lines disposed of 20% to 30% faster."

STATE NATIONAL BANK, El Paso, Texas



WHEREVER THERE'S BUSINESS THERE'S

# Burroughs



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This sample deposit receipt shows the information given to both the customer and the bank. Once the amount is set up, all information is printed automatically on the receipt, and the amount cannot be changed until duplicated on the bank's records. In a matter of seconds, any type of transaction can be handled on the machine. Cash-in and cash-out totals accumulate automatically and are available whenever wanted.

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JUST A MINUTE — Continued



"If 'A' borrows \$10,000 from 'B' at 6 percent, and 'C' borrows . . ."

their present positions and their peril if they are not to risk the steady attrition of their independence." They must be, he says, "politically alert," for "credit is no longer a business matter; it is a supercharged political issue."

**The Good Example**

IN their cartoon story this month, Messrs. IRWIN and KIRKPATRICK invite the bank director to take a good look at the trust department in his bank.

The pictures facilitate the look, for they illustrate a few of the many things the executor of an estate is called upon to do.

"Since you set a good example in your community," says Messrs. I and K. in conclusion, "you will be wise (if you have not already done so) to name your institution executor of your will and trustee to manage your estate. You'll be helping yourself and the trust department of your bank."

**Once in a Billion Dollars**

HERE'S how the National City Bank of New York got its billionth dollar in personal loans on the books, how CHARLES J. F. PORTER got the surprise of his life, and how the New York City papers (and BANKING) got a good story.

Porter is an ex-GI. When he left the Army nearly three years ago the National City made him a \$2,000 Bill of Rights loan for a new restaurant business. Recently PORTER ran into some hard luck—family illnesses—and went

# Prompt handling of collection items throughout California

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frequently are pointed to as a standard of conduct for friendly, understanding nations.

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*Monthly Commercial Letter upon request.*

## THE CANADIAN BANK OF COMMERCE

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## "X" MARKS THE SPOT

Traditionally, "X" marks the spot where the body was found. It also means "his mark" in the case of a person who cannot sign his name. As a signature it is in the same class with about twenty-five per cent of the signatures on checks in current circulation, but it has the advantage of clarity inasmuch as someone who can write tells you who "X" really is. Conversely, those who scrawl are educated people. They know how to write but you'd never know it by looking at their signatures.

Just as someone must identify "X," so should someone identify Mr. Scrawler. We can do it by printing his name on the checks he uses and then he can scrawl to his heart's content without slowing down the process of sorting and filing his checks. We do not believe any attempt should ever be made to convince him he should

write so people could read it. His signature is distinctly his own and he is entitled to use it even though it does look like a frustrated doodle. BUT the printed name should accompany it so people can tell who he is.

It doesn't cost much to take the mystery out of these signatures. Personalized Checks cost only \$1.25 for 200, and that's enough for a year in most cases. Business checks are equally low in cost. And people are glad to pay for them. So, if your bank is not already selling these checks, why not write us for full information concerning our Imprinted Check Program. You'll save money, please customers, cut down on your labor costs . . . and you'll get some fun out of selling them. There is nothing more stimulating than selling something people like to buy, and people certainly do like to buy Personalized Checks.



Manufacturing Plants at:

NEW YORK, CLEVELAND, CHICAGO, KANSAS CITY, ST. PAUL

back to the City for a \$312 personal credit. It was granted.

The next day he got a phone call from the bank. Would he drop in for a few minutes? He did—apprehensively.

He was even more worried when, arriving to keep the appointment, he was told that ROGER STEFFAN, vice-president in charge of personal loans, wanted to see him. What in the world was happening?

It was a smiling vice-president who awaited PORTER in his office. Mr. STEFFAN quickly explained that the GI's recent loan had put the National City's personal credit over the billion dollar mark and that the bank was giving—not lending—him the cash by way of celebration. His note was marked "Paid."

"I can't believe it yet," said PORTER. "I've taken chances on everything from automobiles to radios, but this is the first time I've ever won anything. I certainly didn't think it would happen in a bank."

The PORTER incident prompted the bank to release some statistics on its personal loan department. Up to that time it had granted, in the 19 years of its existence, 3,474,803 loans averaging \$288 for a total of \$1,000,000,032.

Whether there'd be another free ride when the \$2 billion mark was reached Vice-president STEFFAN didn't say.

## Please Pass the Potatoes

ON the first Tuesday in June the stockholders of Standard Oil Company (New Jersey) gather for their annual meeting  
(CONTINUED ON PAGE 14)

"If this new system of mine weren't so complicated it would simplify everything!"





*Senior Credit Analysts*

## Credit Information for Chase Correspondents

As a part of our service to correspondent banks we endeavor at all times to furnish complete and accurate credit information both for their own use and to assist them in answering their customers' inquiries.

Our extensive facilities, both foreign and domestic, enable us to give prompt attention to the credit inquiries of our banking friends.

*Among other services to correspondent banks are:*

- |  |                                  |
|--|----------------------------------|
| <b>Issuance of letters of credit</b>                               | <b>Safekeeping of securities</b> |
| <b>Collection of checks, drafts and other bank documents</b>       |                                  |
| <b>Transmission of funds abroad and shipment of currency</b>       |                                  |
| <b>Information and advice regarding banks' investments</b>         |                                  |
| <b>Participation in local loans when desired by correspondents</b> |                                  |
| <b>Performing a wide range of incidental services</b>              |                                  |



*Credit Department Management*



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Construction Bldg. Wuldhheim Bldg. Sterick Bldg.

### JUST A MINUTE—Continued

in pleasant Flemington, New Jersey, 50 miles from Manhattan.

This attractive community is Jersey's corporate home, just as it is the official dwelling place of numerous other large, important corporations. In Flemington, too, is the Hunterdon County National Bank, whose trust department keeps Jersey's stock ledgers.

The annual meeting is quite an affair. The shareholders come by car, chartered bus and special train, transact their business in a movie theatre (see Cover I) and then adjourn for a "country dinner."

D. H. MOREAU, publisher of the Hunterdon County *Democrat*, reported the 1947 session for BANKING. His story, "The Stockholders Stay for Lunch," tells why Flemington enjoys its distinction as a corporate home, how the bank and its president, GEORGE K. LARGE, help, and gives a good picture of an unusual venture in stockholder relations.

### Vacation

Two thoughts for the first day after:

"If all the year were playing holidays,  
To sport would be as tedious as to work."

"A perpetual holiday is a good working definition of hell."

The first observation is Shakespeare's, the second George Bernard Shaw's. We admit that they are equally hard to swallow. JOHN L. COOLEY

"Let's see—who in here goes on vacation tonight?"





## H-H-M BANK VAULT

**SAVES \$1 MILLION CASH**

*...and delivers all bank records 100% intact!*



**...this was a 4-11 fire alarm... necessitating a 4 hour fight, with 43 separate lines of hose and 32 pieces of equipment... temperatures rose to 1600°... yet not a spark of fire nor a drop of water entered this great H-H-M Vault, around which tons of water were poured for 4 hours.**

One of the worst bank fires in Chicago's history started at 2:15 a.m., March 31, in the Central National Bank, 728 West Roosevelt Road. Two minutes later, when the fire department arrived, the entire structure was a sizzling inferno. Immediately, two lines of fire hose were played on the H-H-M 7" Steel Vault Entrance and eight other lines of hose bombarded the top of the vault. Without interruption, for nearly four hours, tons of water were poured onto and around the vault each minute. Part of the roof and crumbling sidewalls fell onto the vault, as the entire building was soon reduced to disintegrated rubble. Temperatures surrounding the vault were as high as 1600° F. Yet on April 3rd, the vault entrance was opened under combination — and inside the vault you'd never know there'd been a fire. Over a million in cash, all books, all bank records, were delivered 100% intact.



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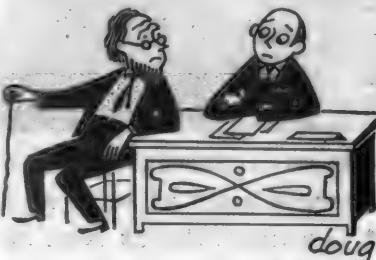
3

3 MADE BY FOX RIVER

AROUND  
OUR  
BANK

HE was old, unshaven and not too immaculate. He shambled into the bank, sat down at the desk of one of our officers and said he wanted to borrow \$10. The vice-president told him it was not practical for the bank to extend such small loans, as the expense on such an amount would be more than two dollars. Well, he explained, he owed a man some money and he just had to pay him right away, and what should he do. The officer suggested that the creditor would just have to wait.

The old man was good-humored about it. "Well," he said, "how about giving me just five dollars, then? I want to pay this man off—I owe him the money." But the vice-president remained obdurate.



\$10. He had simply come to a lending officer instead of to a teller and the result was confusion. To him, drawing money from that account was "borrowing," because his idea was that the account should be drawn on only in case of emergency.



It all goes to show that the old adage, "You can't tell what's in the jar by the label on the jam," still holds true. On another occasion a shabbily dressed woman sought the desk where new accounts are opened. It looked as if hers would probably be another \$50 special checking account, but when we asked her how much she wished to deposit, she said \$4,000. Our thought was that she must have sold some property, so we asked her to give us the check. She unwrapped a newspaper bundle she carried under her arm. It was full of greenbacks. Then she reached down into the front of her dress and pulled out a bundle of bills wrapped in a red bandana handkerchief. Next she opened a shopping bag and extracted a large wallet stuffed with crumpled currency. An odor of damp and mildew permeated that section of the bank. There were exactly 4,000 one dollar bills.



The would-be borrower sat there at the desk, his toes peeping from holes in his crumpled shoes, a straggly beard, well sprayed with tobacco juice, dangling from his chin; a rugged walking stick in his gnarled fist, looking the picture of distressed, but honest, poverty. Finally he said, "And you won't even let me have five dollars? Never had no trouble getting money here before—they always just wrote out a check for me and I signed it and got the cash."

"Do you mean you have an account in our bank?" asked the officer.

"Always thought I had," was the genial answer.

After asking his visitor's name, the vice-president investigated and, sure enough, found that the "poor old fellow," apparently asking alms had more than \$5,000 to his credit—and had maintained this account for around a dozen years. All was well. He got the

"I put these all in different packages," she explained, "so if I lost one or got robbed, the other bundles wouldn't be gone, too. I've been saving these a long time under a loose board in the kitchen floor and I got to thinking maybe they'd be safer in the bank."

BELLE S. HAMILTON

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# ROYAL—World's No. 1 Typewriter

# North of the Border

INDUSTRIAL Canada continued to forge ahead in recent months, though the forward movement slowed down after the quite rapid recovery from serious labor troubles in the Summer and early Autumn of 1946. Shifts in production, however, were somewhat similar to those in the United States. Certain household goods and appliances, as well as various lines of women's wearing apparel, felt the effects of sporadic price resistance. Iron and steel, automobile, metallic mineral and metallurgical production increased so as slightly to overbalance the declines in other industrial groups.

The pulp and paper industry, the major source of newsprint for the United States, as well as of about one-quarter of the latter's wood pulp requirements, kept up its record production rate until late May and early June, when some interruptions were noticeable due to excessive rains and floods. Ordinarily, the pulp and paper mills welcome high water conditions in the spring of the year in order to float the wood cut during the Winter down to the booming and reservoir grounds. This year the rivers on which these wood drives are conducted considerably overflowed their natural banks, and as a result logging operators who have not held their winter cut back have risked

Canada's total trade in the first nine months of 1946 was approximately \$3 billion—impressively high for a population of 12 million people. Below, sulphite pulp loading for export to Australia

the stranding of a good proportion when the rivers subside. These conditions may slow down pulp and paper production for a time, perhaps a month or two, until the mills can replenish their greatly depleted wood piles, upon which they have drawn heavily in order to meet the abnormal demand for pulp and paper the world over, particularly in the United States.

The price resistance referred to above was more or less spontaneous and without any official pressure. As pipe lines began to fill up and merchants' shelves became fairly well stocked, the Canadian public turned to more selective buying though, strangely enough, goods which were still in short supply were bought up quickly wherever and whenever they appeared. These conditions applied both to rural and urban areas. In the large industrial centers slowly rising living costs set in motion another series of labor demands for higher wages. These movements, however, have not had the driving force of a year ago and a disposition on the part of both labor and management to compromise on the issues in dispute has been apparent. There may, however, be a few prolonged strikes during the next few months in some important industries.

Tightening up of domestic retail trade has not been duplicated in Can-

ada's foreign business. Exports in the January-April period had an average monthly value of nearly \$200 million, more than 10 percent above that of a year previous. A good part of this increase was represented by sales to the United States and Latin America. Exports to the American market alone averaged about \$80 million per month, mainly accounted for by larger shipments of pulp and paper. Canadian imports from the United States, however, also rose to a monthly average of about \$150 million and thus continued to overbalance the export flow south of the border, with the result that Canada had to meet a deficit on merchandise trade of over \$250 million in the four months ending April of this year.

In addition, a considerable amount of American exchange has had to be provided for redemption of maturing Canadian securities held by American investors. Canada's holdings of gold and United States dollars reported in last month's issue of BANKING have, however, been adequate to meet these drains, which will lessen when the most active tourist season opens and a considerable sum of American money comes into the country. A conservative estimate of American tourist expenditures in Canada for the full year 1947 is \$250 million (of which the greater part will be available during the next three or four months) as compared with \$214 million last year, an amount which represented about half of all American tourist expenditures abroad.

While there is no question of Canada being able to meet all of her obligations to the United States this year, some concern is evinced over the generally unbalanced state of trade between the two countries, and it is dawning upon all interested in this situation that some rearrangement of Canada's foreign trade as a whole is required. An analysis of her trade in all directions reveals that she has been importing from the United States on a record scale not only to satisfy her own requirements but, also, some of those of other countries to whom she extends trade credits. She has bought raw materials from the United States and paid cash therefor, and these she has turned into finished products for Britain, several Continental European countries and China under her export credit program. Some Canadian exports in these directions

(CONTINUED ON PAGE 20)



CANADIAN INFORMATION SERVICE



## NEW PRODUCTS, NEW FIELDS OF RESEARCH DEMONSTRATE MARTIN DIVERSIFICATION!

DIVERSIFICATION of product promotes industrial growth, serves as a bulwark, helps assure constant, long-term profits. Aware of this vital need, The Glenn L. Martin Company constantly widens the scope of its interests. Look at the activities listed below and you'll see why the future holds high promise.

**MORE NEW AIRLINERS** have been sold by Martin than by any other manufacturer . . . over 350 with further sales pending. Deliveries start soon on the Martin 2-0-2, now completing flight tests; while the first Martin 3-0-3's near completion.

**BIG MILITARY ORDERS** are being filled by Martin. For the Navy, the XPBM-5A Mariner amphibian, the AM-1 Mauler dive-torpedo bomber, the XP4M-1 patrol plane and big JRM Mars transports. For the Army Air Forces, the XB-48 six-jet bomber.

**STRESS DIVERSIFICATION:** Martin products include gun turrets—Marvinol, versatile Martin plastic raw material entering large-scale production this year—a variety of other projects.

**ROYALTIES ACCRUE** to Martin from Honeycomb, lightweight construction material—Mareng cells, flexible aircraft fuel tanks—aircraft ground-handling equipment.

**RESEARCH CONTRACTS** important to the nation's airpower have been awarded Martin by the military services. With 223 patents so far, look to Martin for big news in guided missiles, advanced forms of propulsion, electronics, super-sonic speeds and other fields.

**NEW DEVELOPMENTS:** Stratovision, aerial re-broadcasting of television and FM, eliminates coaxial cables or relay stations. It's a joint project of Martin and Westinghouse. Martin has also purchased Rotawings, Inc., holders of helicopter patents.

These are only some facets of the Martin operation. Other new and unusual developments are at progressive stages of advancement. Long-range research on even more revolutionary projects is being intensified. *Better products, greater progress are made by Martin!* THE GLENN L. MARTIN COMPANY, BALTIMORE 3, MD.

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**FRIDEN CALCULATING MACHINE CO., INC.**

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(CONTINUED FROM PAGE 18)

are believed to have had as much as 60 percent American content. Among the measures already adopted, or to be considered, to ease this unbalanced trade situation are requests to creditor countries to pay more in cash for their imports from Canada out of their available reserves and to export more to Canada, particularly machinery and other industrial equipment, for which this country has relied almost entirely upon the United States throughout the reconversion period.

Industrial equipment requirements are, however, less than at any time in the last two years. After undertaking considerable new industrial construction and reconditioning since the Summer of 1945, a decline has set in, owing to high building costs, and a number of important projects have been shelved.

American capital investment in Canada, however, has extended in wood pulp, minerals and sundry enterprises. The most important of these is the projected establishment of a cellulose plant in northern British Columbia, not far from the Alaska Panhandle. The allotted forest reserves will provide a perpetual wood supply for a plant to be built in the next few years of a cost of \$15 million. Combined with natural advantages, this wood pulp mill will have tidewater, highway and railway transportation facilities. The engineers now finalizing the plans regard the location as generally the best on this continent. Quite a lot of American money is also going into new oil fields in Alberta. One of the important metal mining companies, controlled in the United States, is opening up a promising new copper-nickel ore body in Northern Manitoba. In one quite remote area in western Canada a cold storage plant and a local dairy have been opened by Americans, and others who have hunted in this district are now interested in its business prospects.

Far to the east, within a secluded area of the Ottawa Valley, American scientific and military interests are centered upon Canada's atomic energy plant. This establishment was started in a highly secret atmosphere shortly after the first atomic bomb was perfected and little has been known generally of its progress until the last few weeks. Now it can be said that over 400 scientists and engineers are engaged on this project, as well as more than 500 plant workers, while secret reports and analyses have been prepared for the further development of atomic energy.

## Here's an Idea—

A good communist must feel disloyal when he catches himself thinking.

A millionaire spent \$1,500 in a night club in one night. Next time he'll know better than to order a sandwich.

It is an interesting fact that of all the comedians and humorists who get off wisecracks on Joe Stalin not one lives in Russia.

Under the heading of inflammatory literature we would include the spring seed and flower catalogs.

Rolling pins are no longer used on husbands, but they aren't used for much of anything else either in the modern home.

The cynic says that in the last war we were told we were fighting for dear life. Well, the debt and federal budget certainly show it.

Peace is the short interval when nations toil to pay the costs of past and future wars.

Death Valley is the distance from curb to curb.

With all the investigations Congress puts on there is no longer any excuse for one-half the world not knowing how the other half lives.

A couple of Chinese laundrymen from this country could probably iron out China's troubles in no time.

We sometimes wonder who gets the blame if something goes wrong in Stalin's government.

Most speeding is done by people who aren't going anywhere in particular.

Someone says the most essential things in life are the smallest, which exactly describes our bankroll.

Straddling an issue is like straddling the middle of the road. You are liable to be hit from both sides.

The fact that United States Senators are just like us tends to make us feel pretty humble.

July 1947

## INVESTMENT ... in Research

### A STATEMENT OF POLICY BY THE WORLD'S LEADING RUBBER COMPANY



Charles Goodyear's Discovery of vulcanization was a revolutionary step in rubber research; in fact it may well be claimed to have been the beginning of the modern rubber industry.

Year after year, Goodyear has consistently invested large sums of money in research . . . until today, Goodyear operates one of the best staffed and most scientifically equipped research laboratories in any industry. This "investment in progress" has been more than justified; it has paid repeated dividends in many ways:

. . . producing innumerable Goodyear "firsts" in tire construction, that have made modern high-speed automotive transportation possible.

. . . improving all of Goodyear's established products, for individuals and industry.

. . . contributing new products and services to fields that range from housing to aviation, from metal work to farming.

. . . creating new Goodyear products of natural rubber, synthetics and plastics, such as: Pliofilm, for the moisture-proof packaging of perishable food and drugs; Neolite, as an entirely new material that far outwears leather for the soles and heels of shoes; Airfoam, for mattresses and for all seating purposes; The LifeGuard Safety Tube, that ends the dangers of blowouts.

The results of this investment policy have already been far reaching:

Consumers have benefited, with better products for better living at lower prices.

Employment has been increased and stabilized, as a flow of new products has opened up new markets.

At the same time all other investments, financial and physical, have been protected by diversifying the company's operations and by anticipating the growing needs of the future.

This Goodyear research program has been—and will continue to be—the most important single factor in making and keeping Goodyear, "The Greatest Name in Rubber."

# GOOD<sup>Y</sup>EAR

THE GREATEST NAME IN RUBBER

Pliofilm, Airfoam, Neolite, LifeGuard, T. M.'s The Goodyear Tire & Rubber Company

# Magic After Banking Hours

A SUCCESSFUL banker with another career literally up his sleeve is J. G. Thompson, Jr., president, First National Bank, Middleburg, Pennsylvania.

His banking career is the newer of the two—he started as a teller—for his first brush with magic came at about the age of six, when, as he describes it, "I, a six-year-old and goggle-eyed, found twelve half dollars between my palms where once reposed but six." Mr. Thompson does not explain whether the "props" in this act had anything to do with his later interest in finance.

In an article in the June 1947 issue of *The Linking Ring*, official publication of the International Brotherhood of Magicians, Banker-Magician Thompson's career is described by Lawrence Arcuri. Incidentally, Mr. Thompson himself is a regular contributor to trade publications of the prestidigitator's business and is considered an authority on new tricks and new books on magic.

Mr. Arcuri writes of his subject's early desire to be a magician that "This was nurtured further by a gift from his parents, who . . . with somewhat of a 'what can't be cured must be endured' attitude, gave him a large *Mysto Magic* kit. With this set Jim performed often and at great length for the neighborhood kids—and quite successfully, too, but somehow, in performing before his parents invariably more than the normal number of thumbs were in evidence. Whereupon, the Thompsons would always have a hearty laugh and Junior would beat a hasty and inglorious retreat with dampened eyes. . . .

"Rapidly progressing prestidigitarily, in time the 'full evening show' stage arrived. It was a two-hour session which he put on in the local high school and he shudders now when he thinks of it in retrospect. One pleasant memory

still lingers, however: his selection of a pretty girl to be his assistant—the prettiest, as a matter of fact, in his class. He approached her with timidity, having secretly admired her from afar. She consented and then, of course, there had to be many evenings of practice together. After all, how else could perfection be achieved? At the same time perfection was achieved with something else—a romance. And perfection is still the word after 18 years of happy married life. Two daughters, Jacqueline, 16, and Julia Frances, 14, complete the family."

Mr. Thompson says that "on my return from college, I routined a two and one-half hour performance embracing magic, mindreading, hypnotism and spiritism—all this to the mounting horror of my nearest of kin, who didn't seem to enjoy seeing the family name bandied about on various billboards. Mrs. T. was a good sport and, although pretty much disgusted with the entire affair, stuck to her post as chief assistant."

Like all magicians, Mr. Thompson has had his share of embarrassing—later amusing—incidents.

"One of the funniest experiences I have ever had," he writes, "involved a celluloid egg, which was a reasonable facsimile of the original and was used to eliminate possible breakage. During the course of one trick, it was necessary for me to borrow a hat to be used in connection with the hen fruit. Every magician strives mightily to entertain as well as mystify and, therefore, attempts to get as many laughs as possible. While I was in the audience, without further thought or previous experience to act as a guide, I suddenly decided to see what sort of audience-reaction could be secured by placing the hat, crown down, on my table and throwing the egg in the hat "by mistake" with too much force and then registering dismay at the apparent resulting carnage. Registering dismay was a cinch! When that egg hit the inside of the hat backed by the wooden table top, it bounced three feet into the air, fell on the stage and bounded merrily hither and yon with me in close pursuit. Because of that experience I have never altered tricks in mid-program.

"Not all of my experiences were funny. Some were painful. Once, after

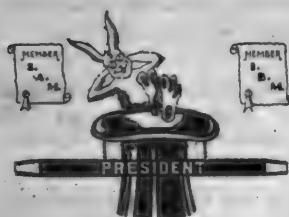
At right, a mind-reading act conducted by Mr. Thompson in which his wife (far right) acts as "medium"

Below, letterhead used by Mr. Thompson when conducting his prestidigitator's business



**J.G. THOMPSON, Jr.**  
MIDDLEBURG, PENNSYLVANIA

*Banker Wed To A Magic Widow*



being handcuffed, tied in a bag, locked and roped in a packing box, I suddenly developed a cramp in my left thigh. Doubled up as I was, there was little to be done except suffer the excruciating pain. Just as I was about to entertain the audience with a bit of plain and fancy impromptu pounding on the inside of the box accompanied by an embarrassing demand for immediate release, the muscle decided to listen to reason.

"My interest in escape work was prompted, I suppose, by a desire to emulate Houdini. It provided me with some interesting moments. Twice I was challenged by police (at what I considered extremely inopportune times) to escape from their handcuffs. Fortunately I was successful in each instance.

"The choice episode involving restraints occurred while I was 'covering' a murder for The Associated Press. A deputy sheriff agreed finally to permit an interview with the murderer. He unlocked a large steel door leading into the cell block and then conducted me to the cell of the prize prisoner. After I was inside, he locked all of the doors and playfully suggested that I would now have plenty of opportunity to get my story. After the interview was completed, I rang for release to no avail. A close inspection of the cell door followed. Five minutes later I stood before the deputy's desk in the outer offices pointing out that it might be a good plan for him to lock the various doors, which now stood wide open, before it was necessary to recapture the local Public Enemy Number One. There was no cause for complaint regarding the activity which ensued. The murderer was later executed, which left me alone with the knowledge of how it all took place."

Mr. Thompson's mention of his reporting experience refers to the fact that for 12 years he has been county correspondent of the Associated Press in addition to other earlier reporting jobs for city papers—a third career.

On the full-time career side, Mr. Thompson is a member of the executive committee of the National Bank Division, American Bankers Association, and is also a member of the Division's Committee on State Legislation.

We're getting back to normal. The car makers that were 10 years ahead of their time last Fall have just come out with a new model.

*The right and left wings of both political parties are far apart, but no farther than almost any politician can easily straddle.*

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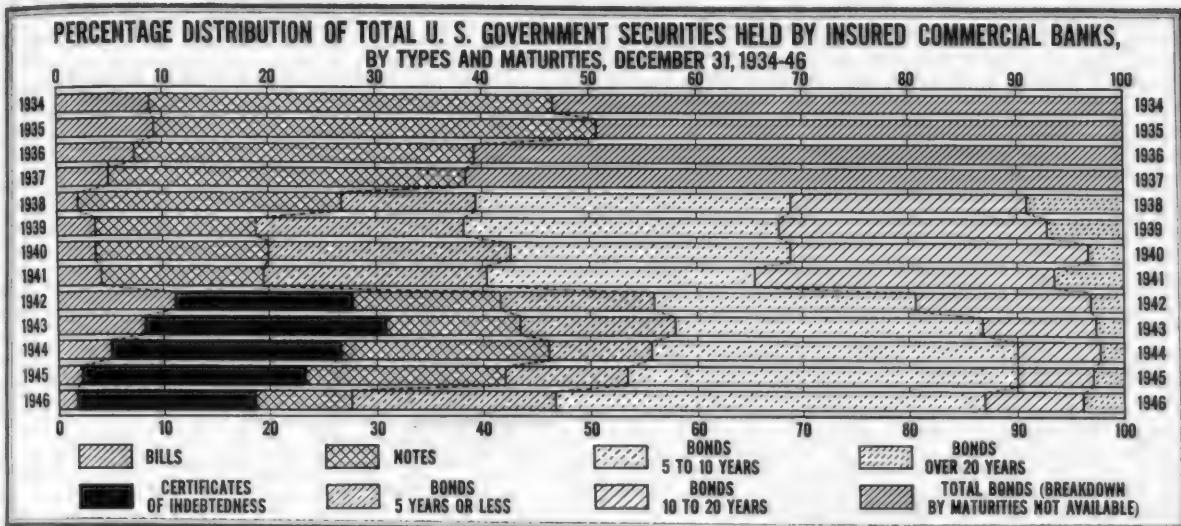
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Contributing significantly to the national economy by bringing together capital and management in the right combination to develop the full potentialities of new and growing enterprises. Emphasis is on financing going concerns likely to produce long-term capital gains for investors.

JULY 1947

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION



## The Outlook for Bank Earnings

JAMES W. WOOSTER, JR.

*The author is an investment counsel in New York. Some readers of BANKING will remember that he appeared on the program of the Eastern Regional Savings and Mortgage Conference last March.*

DURING World War II the statement was often made that banks faced no reconversion problems. This was true in the technical sense that no retooling of operating facilities or the production of new products was required as was necessary in the case of many manufacturing companies. Today, however, two years after the end of the War, the earning power of banks has undergone considerable contraction, while many industrial corporations whose outlook was uncertain when the war ended are reporting record breaking earnings increases.

What are the chief causes for these lower bank earnings? Are they temporary and likely to disappear with the passage of time, or are they permanent and basic? To what extent are they a reflection of outside forces over which banks have but little control, and to what extent is a reversal of this unfavorable earnings trend within the bank's own power of correction? As the earnings reports and earnings indications of many prominent banks for the first half of 1947 make an unfavorable comparison with the previous year, these and related questions are in the forefront of the thinking of bank management, and of the owners of bank shares.

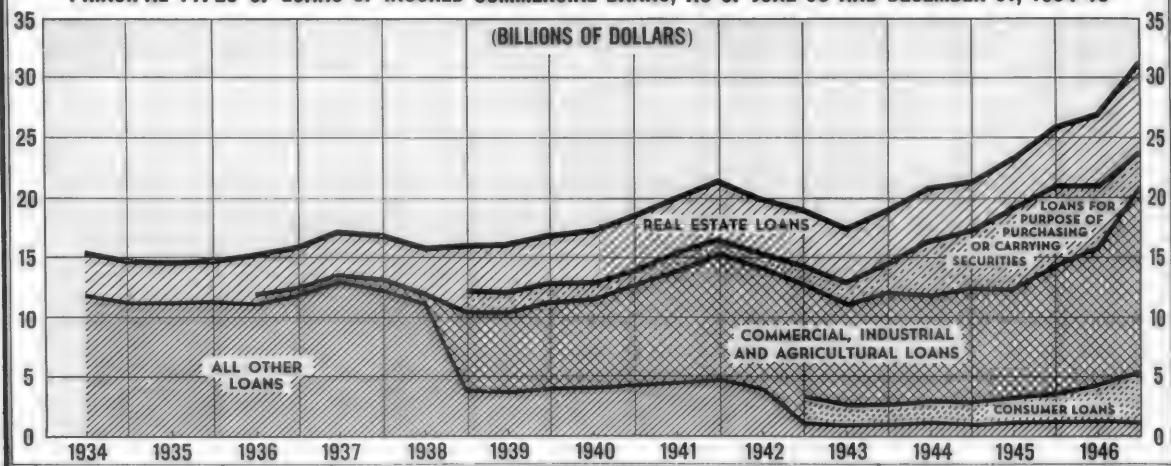
Let us look at three of the basic elements in the bank earnings picture—costs, volume of business, selling prices—and see how present trends in each will influence future earning power.

### Costs of Operation

First is the matter of increased costs. In 1939 current operating expenses of insured commercial banks were \$1,133 million. For the year 1946 it is estimated that current operating expenses were \$1,763 million, an increase of \$630 million or 55½ percent. Expenses for the current year 1947 will undoubtedly be still higher, since salaries and wages are the largest item of expense and many payroll increases were not fully reflected in 1946 results. Any rise in the cost of doing business is a matter for concern. However, any such increase cannot be considered as an isolated element. Its real significance is in its relationship to the income which it makes possible. In 1939 current operating expenses were 70.5 percent of current operating earnings, that is 70½ cents of expense were incurred in producing each dollar of operating earnings. In 1946, although the dollar amount of operating expenses had risen by 55½ percent over 1939, operating earnings had risen from \$1,606 million to \$2,863 million, or 78 percent. Since operating earnings during this 7-year span increased at a faster rate than did operating expenses, the operating ratio, i.e., the percent of gross consumed by the costs of doing business actually declined, from 70.5 percent in 1939 to 61.5 percent in 1946.

Even though banks have been able to keep their operating expenses under satisfactory control under conditions of rising volume, many of the increased expenses which have been assumed are of a rather inflexible nature. This means that banking, even more than most industries, is dependent upon a sustained high level of gross income, i.e., volume,

### PRINCIPAL TYPES OF LOANS OF INSURED COMMERCIAL BANKS, AS OF JUNE 30 AND DECEMBER 31, 1934-46



if the costs of conducting the business are to continue as a reasonable proportion of total operating income.

#### Demand and Supply of Credit

Because of this special dependence of banks on a sustained high level of operating income, an analysis of the outlook for the volume of banking business assumes particular significance. First consideration in any such analysis must be given to the trend of deposits.

Since the ending of the war, with federal income and expenses achieving an approximate balance, and with bank-held government obligations being retired through the liquidation of unneeded war loan accounts, the balance between the demand for credit and the supply of credit, as reflected by deposit trends, is coming back into a more normal relationship. Total adjusted deposits of all banks in the United States, after having risen from \$57,698 million on December 30, 1939, to \$148,911 million on December 31, 1945, have since turned down, to \$140,377 million on December 30, 1946, and to \$139,100 million on March 26, 1947.

This change in trend in the availability of raw material from which credit can be manufactured is also reflected in the reserve position of Federal Reserve member banks. At the close of 1939 (December 27) member banks had excess reserves of \$5,046 million. During 1940 and 1941 excess reserves generally exceeded this amount (the peak was \$6,940 million on October 23, 1940), but since that time the trend has been downward, and on April 23, 1947, excess reserves of member banks were \$672 million. It is therefore evident that deflationary tendencies have been in the ascendency during the past year and a half insofar as the deposit and excess reserves of member banks are concerned.

Have these trends in the raw material figures of credit manufacture been reflected in the actual amount of credit extended by banks during this time? The loan and investment totals of member banks give interesting evidence on this point.

At the end of 1939 loans and investments of member banks totalled \$33,941 million, consisting of \$13,962 million of loans and \$19,979 million of investments. By the close of 1945 the total had risen to \$107,183 million—\$22,775 million of loans and \$84,408 million of investments. One year later loans had risen to \$26,696 million but investments

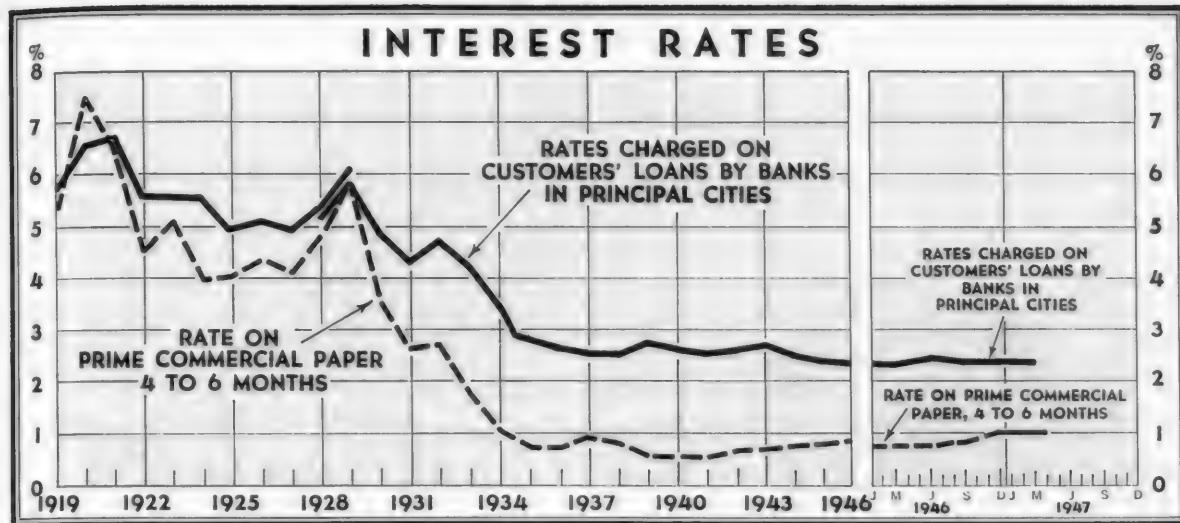
were down to \$69,666 million. The decline of nearly \$15,000 million in investments much more than offset the increase of about \$4,000 million in loans, with the result that total loans and investments of member banks in 1946 declined nearly \$11,000 million from a year earlier, to stand at \$96,362 million on December 31, 1946. Thus far in 1947 this same declining trend in earning assets (i.e., loans and investments) has continued. Weekly reporting member banks in 101 cities experienced a drop in their total of loans and investments from \$56,883 million on December 31, 1946, to \$55,200 million on April 23, 1947.

#### Volume of Earning Assets

The second major factor governing the earnings position of banks—the volume of earning assets—presents a mixed picture. On total, volume has declined, but this net result has come from a large drop in low yielding assets, partially offset by a moderate increase in higher yielding assets. Dollarwise, the present lower total of assets produces nearly as many income dollars as did the higher earning assets total of 18 months ago. With the government War Loan account reduced to nominal proportions and with the outlook for government income and outgo to remain not far from a balance, it seems reasonable to expect that deflation in bank-held investments arising from governmental policies has about run its course. In the loan field, on the other hand, demand continues active, especially in the newer and higher rate fields of consumer and instalment financing. All in all, and barring some major change in the whole business outlook, it would seem as if banks should be able, as a group, to maintain their volume of earning assets, and their income from these assets, at close to present levels.

#### Selling Prices of the Bank Product

The third element which has been mentioned in the outlook for bank earnings is that of the selling prices established for the products produced. The chief product, as already noted, is credit, and the amount being produced at any given time is the total of earning assets, that is, loans and investments. The rate of income received from investments is determined by factors beyond the control of individual banks, with governmental fiscal policies the dominating element. It is true that each bank can determine for itself



the maturity distribution of its bond portfolio, and that the prevailing interest rate pattern affords a higher rate of return in longer maturity obligations. However, the maturity distribution of individual bank portfolios should be determined chiefly by the character of each bank's deposits, by the availability of its capital in relation to its obligations and by the general nature of its business, rather than by the expediency of the moment and minimum income needs, real or imagined. If the proper factors determine investment programs then the rate of return received from investments is largely beyond the control of the management of individual banks.

Would the maintenance of approximately the status quo in bond-interest rates mean that bank income from government bonds will remain at about the same rate and amount as in 1946? Unfortunately for bank earnings, it does not. First of all is the previously mentioned fact that the volume of government securities held by banks has undergone a progressive reduction during the past 18 months and the loss of income resulting from this reduction was not fully reflected in 1946 earnings. In fact, due to record bank holdings of government securities during the early months of 1946, bank income from this source for the full year 1946 was the highest ever reached. Less obvious, but of equal or greater importance in its influence on bank earnings, is the fact that a considerable proportion of reported bank income from government securities is not renewable at the same rate. This is due to the fact that interest rates have been in a falling trend for many years, and, as higher coupon bonds mature and are refunded, it is necessary for holders of this debt to accept a smaller return.

In addition to income reduction occasioned by replacing higher coupon securities with lower coupon securities, a still

further inroad into net earnings after taxes is being brought about by the steady reduction which is continually taking place in the number of partially tax-free government bonds available for investment. Reflecting this situation, federal income taxes in 1946 for all insured commercial banks, despite the expiration of excess-profits taxes, were 9 percent greater than in 1945. If the comparison is extended back to 1942 the situation is even more striking. In 1946 federal income taxes for all insured commercial banks took 26 percent of net profits before taxes and were more than four times as large as in 1942 when these taxes absorbed 15 percent of net profit before taxes.

#### Best Opportunity for Increased Income

Turning to the rate of income from loans, it soon becomes evident that in this category exists the best opportunity for any significant increase in both the rate and amount of bank income. Volume in this field, as previously noted, has been rising consistently and further increases are within the reach of those bank managements which are willing and able to merchandise effectively their products. In the field of rates on bank loans the picture has varying aspects. During the war the Government was, of course, by far the largest single borrower, both directly, and indirectly through its guarantee of loans of many suppliers of war materials. Government fiscal policies largely determined the rates of interest charged on these borrowings.

With the return of peacetime conditions, private industry has, in large measure, fallen heir to the low wartime interest rates on commercial borrowings which were established and maintained under conditions far different from those existing today. Then industry was largely on a cost

(CONTINUED ON PAGE 85)



# The Director and the Trust Department

By J. WILL IRWIN and BOB KIRKPATRICK



Directors are people and, like people, they have access to a very important service performed by many financial institutions.



That is the service rendered by the trust department which can serve directors in two ways.



It can be a profitable department for the bank. And it affords an effective method for the director to provide security for his family.



As an example of the type of service performed by this department, take a look at the duties of the EXECUTOR of a will.

## ... DUTIES OF THE EXECUTOR ...



Locate witnesses; see that the will is filed and proved.



Be sure that all personal property is adequately safeguarded and insured.



All personal and real property must be appraised.



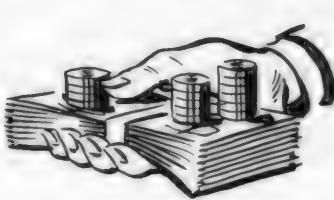
Investigate claims and pay those that are legitimate. Collect debts.



Must notify corporations as to dividends, etc. File income tax return.



Prepare inventory. Prepare tax schedule. Pay federal and state taxes.



Provide funds for living expenses for dependents while estate is being settled.



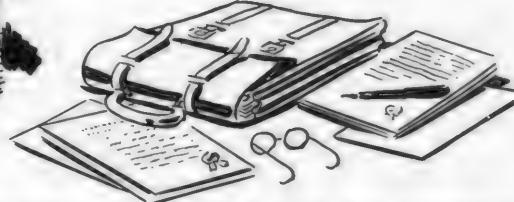
Prepare full final accounting and secure court's approval. Get waivers and consents from legatees, beneficiaries, etc.



Make distribution to the heirs or trustee.



There are many more such duties in this one function, and many more functions performed by the trust department.



This type of work takes experience. It takes training. It takes hard work. It takes a strong sense of responsibility to the people of the community.



Take a good look at your trust department. You will see first hand that the work being performed is valuable to the bank and to the community.



Since you set a good example in your community, you will be wise (if you have not already done so) to name your institution executor of your will and trustee to manage your estate.



You'll be helping yourself and the trust department of your bank.



CORSON-DEVANEY

## Farm Land Prices and Other Matters

WASHINGTON

**W**ITHOUT a large additional appropriation for economic aid to Europe, the country could look forward to a substantial surplus next year. That surplus probably would amount, barring a severe business recession, to from \$3 to \$4 billion.

On top of the nearly \$20 billion of marketable debt retired during the fiscal year (due in part to liquidation of war loan accounts) which just closed, the Treasury could be expected to retire marketable debt in a range somewhere between \$5 billion and \$7 billion during the year which has just begun. This would be brought about by the application of surplus funds to debt redemption, and also by the use of some \$3.5 billion of social security receipts to retire publicly-held debt invested in non-market or special issues. However, terminal pay bonds are expected to be cashed in some measure during the present year and will limit somewhat the volume of market issues which will be retired.

### Deficit Improbable

The big uncertainty in the fiscal picture is, of course, the extent to which the United States will disperse aid during the year to assist countries to resist Russian domination. Even with a large program legislated, it is improbable that the additional expenditures so authorized will go out fast enough during the present year to bring about a budgetary deficit for the entire fiscal year. It is noted that presently-approved budgetary expenditures for foreign aid, through direct relief, occupation costs and the World Bank and Monetary Fund, are already heavy.

There is also almost a certainty that in the present year the expanded foreign aid program, even if it should be approved this Fall in a special session, will not be so large, considering the fact that cash receipts from trust accounts are available, as to reverse the trend and increase the volume of Treasury issues held by the commercial banks.

One of the uncertainties created by the foreign aid program is the effect it will have upon the timing of government plans to issue an unspecified volume of non-market long-term bonds. Reserve Board Chairman Eccles has said that such a program is desirable. Treasury Secretary Snyder hinted before the Senate Finance Committee that he had such an idea in mind. Any such development awaited the settlement of the fiscal picture, or the determination of the precise amount of appropriations and the level of taxes.

The question now is whether a long-range Treasury financing program can be planned shortly or whether it might have to await an ascertainment of additional calls upon the national exchequer to implement the Truman Doctrine.

Tax reduction next year, from this point on the calendar, looks like a probability. Even when it comes, however, its effect upon Treasury revenues during the present Treasury year, or before next June 30, is not expected to be too heavy.

### Farm Land Prices

Government officials applied the check-rein to farm mortgage lending. In a call to representatives of insurance companies, farm organizations, the American Bankers Association, government lending institutions and others to attend a conference last month to discuss this problem, Agriculture Secretary Anderson said that the rise in farm land values presented a "serious problem" and suggested the threat of another farm real estate "boom and bust."

This call surprised observers here, who wondered why the Government was fighting credit expansion in one field and promoting it vigorously in another. Total farm mortgage loans probably currently do not exceed \$6 billions, or some \$5 billions less than the 1920 peak. In the field of housing the Government is vigorously promoting lending on houses at inflated values, the total of veteran home loans guaranteed under the GI bill alone exceeding \$4.2 billions, or a figure formidable by itself in comparison with the farm mortgage

debt, without considering the volume of home mortgage credit extended normally, and without a specific Veterans Administration guarantee. The Government also has the Federal Housing Administration, which guarantees 90 percent of the usual home mortgage loan.

Despite the variety of existing government insurance and guarantee provisions, the President has been attempting to persuade Congress to adopt the Taft-Ellender-Wagner bill to add more to the facilities for extending credit for home purchases, even to the extent of having the Government provide a substantial proportion of the funds for construction and subsidy. In this picture the Veterans Administration stands on record as discouraging veterans from using their government guarantee for buying houses at abnormally inflated values, but is powerless under the law to prevent the extension of the guarantee when a sales price of a house meets with its current value appraisal standards.

### Farm Real Estate and Construction Costs

There is no handy comparison between the index of farm real estate values issued by the Department of Agriculture and any index of completed home construction costs and prices of existing housing. However, the general opinion in building circles in this city is that the current prices both of new construction and existing homes approach, and in many communities exceed, the farm real estate inflation, which is put officially at 92 percent of the 1935-39 average.

Observers outside the Department of Agriculture were even more surprised when they realized that although the Department of Agriculture was sponsoring the conference to discourage inflationary lending on farm mortgages, two agencies of that department were at the same time seeking power to make even more liberal, inflationary loans.

Pending in Congress is a proposal by the department's Farm Credit Administration authorizing the Federal Land banks to take over the Land Bank Commissioner's function of making loans up to 75 percent of the value of a farm. As the Senate Agriculture Committee was told by one banker, the Federal Land banks originally were empowered to lend only to 50 percent of the value of land plus 20 percent of the value of permanent improvements thereon. Subsequently the land banks were empowered to lend to 65 percent of the value of an entire farm. This boost represented an increase of more than 50 percent over the previous lending ratio, according to the witness, John H. Crocker, vice-president of the Citizens National Bank of Decatur, Illinois.

Mr. Crocker, who is a member of the credit subcommittee of the A.B.A.'s Federal Legislation Committee, pointed out that when the FCA got permission to make 65 percent loans it represented that "the Land Bank Commissioner loans would no longer be necessary and the lending powers of the Federal Farm Mortgage Corporation could be permitted to lapse."

It is these same powers which the FCA now, two years later, proposes to hand over to the land banks, and at the same time the President of the United States and the Secretary of Agriculture throw their influence in favor of a lower or more cautious ratio of lending by non-government credit institutions.

FCA also can extend loans for periods up to 40 years. National banks, on the other hand, as Mr. Crocker pointed out, cannot lend on farm mortgages having a maturity longer than 10 years, provided 40 percent of the loan is amortized within that time.

### Banking's Attitude Toward Farm Prices

President C. W. Bailey of the A.B.A. assured the Secretary that "in common with all those here [at the conference] the American Bankers Association is deeply concerned about the inflation that has taken place in farm land prices during the past few years and will be glad to cooperate in any practical measures that can be undertaken to protect the farmers from the disastrous consequences of an excessive land price boom."

He pointed out, however, that the Association has recommended to its members that they discourage excessive lending, discourage borrowing to speculate in land, discourage mortgaging existing farms for the purchase of additional land, encourage farmers to pay off existing debts, urge farmers to build up financial reserves, help keep their customers in a sound financial condition, discuss the farm land price situation at meetings of bankers and farmers, and that they keep in mind that the sound value of farm land depends upon the capacity of farms to produce a profitable income over a period of years.

Mr. Bailey advised the Department that factors other than credit have brought about the increase in farm land. These include sharply higher income arising from higher demand for farm products, increased government production and incentive payments, price supports, foreign food demand supported by the government, and the government policy of holding down interest rates during the war, which capitalizes land values at lower interest costs.

This conference, which resolved no issues, represented a part of the Administration's program for "talking down" prices. It is understood that it was initiated by Secretary Anderson himself.

In another sector of business—houses, on which the Government desires lending—there is a slight optimism as to the trend ahead.

There is a belief that, with building material prices fairly steady during the latter part of the Spring, the peak has about been reached, and that a downturn in material prices should occur during the next six months.

### Construction's Biggest Problem

The biggest problem of the construction industry is seen as the diminished productivity of labor. As the production (CONTINUED ON PAGE 60)

#### Besides Being Habit Forming

ITS STIMULUS IS  
ONLY TEMPORARY  
AND NEARLY ALWAYS  
LEADS TO  
HEADACHES.



THE CORN BELT DAILIES FROM THE OMAHA DAILY JOURNAL



# Safe Deposit Prospects and Hazards

FRANK O. BRAND

*The author is vice-president and general manager of the Empire Safe Deposit Company in New York City. In the New York State Safe Deposit Association he is chairman of the Special Committee on Cooperation with the American Bankers Association to Further Uniformity of Banking Legislation.*

THE function of safe deposit was probably the original service on which modern banking has raised its present complex structure. In the early days of modern banking, the protection of treasure, at first a collateral activity of the goldsmith, provided in fact the total revenue of the "banking department." It is still an integral part of the business. Under proper conditions it can be a profitable and desirable function of banking.

The safe deposit department of a bank is generally considered a part of the banking business to be operated under the same general principles as any other part and presenting no special problems of its own.

Having had 25 years' experience in this particular phase of the banking business, the author unhesitatingly declares that there is no justification for such an attitude, since safe deposit operations present peculiar hazards and responsibilities which must be recognized and which cannot be overcome or controlled by such thinking. It is a part of the business involving liabilities of such indeterminate nature as to require special precautions and particular knowledge on the part of employees.

On the other hand, it is a phase of the banking business which can be conducted safely and can assure an adequate return if bankers generally are willing to adopt a program which includes the promotion of better and safer methods of operations, a sincere plan of employer-employee training and the recognition of existing hazards and responsibilities of the business. The realization of these objectives—namely, ade-

quate safety and proper return—can be promoted by the adoption of a model safe deposit code.

Perhaps it would be well to consider some of the problems in order to become sufficiently awakened to the seriousness of hidden implications found therein. Such examination may hasten the adoption of corrective measures and aid in a decision on how to obtain the elimination of many harmful and dangerous safe deposit practices, some of which at first may appear to be elementary.

## Dual Control of Keys

Is it necessary to maintain dual control of keys? Unless such dual control is maintained, it may place the institution in a difficult position if called upon in court to defend itself against a charge of negligence in operation. Such a charge might be supported if the evidence showed that a single person, however trustworthy, had unrestricted access to keys of unrented boxes. The presumption would be that such access would make possible the production of duplicate keys to be used in entering a safe deposit box after it had been rented. Dual control has an added psychological advantage in impressing on the lessee the caution which the bank exercises in protecting his property.

Court decisions show that it is dangerous for a bank to accept possession of a lessee's safe deposit keys even though this might seem to be a service of convenience to the lessee. In the event that anything disappears from a safe deposit box, the lessee is in a position to charge the bank with negligence. In fact, juries in such instances have found defendant banks guilty on the ground that the possession of keys automatically carried a presumption of negligence.

## Character of Personnel

The peculiarly confidential and important function of safe

deposit places a premium upon the character of personnel. Management, due to the difficulty in obtaining and maintaining a properly trained staff of employees, must give more than casual attention to selection and training. Those selected must be carefully screened to insure mature judgment, extreme care and absolute honesty. They should be made to understand that one of the fundamental requirements necessary to the careful operation of a safe deposit vault is an intelligent understanding of the basic rules of the business.

Each officer and employee should clearly understand that the right of access to a safe deposit box can never be compromised. It is a right carefully protected by law and should be rigorously limited, pursuant to the contract, to the lessee, his duly authorized agent or, in the case of the lessee's death, to his legal representative. On no other occasion, except by court order, should access be granted. When dealing with the question of access, there can be no middle road—access is either right or wrong—it is either proper or unauthorized. The well trained employee should realize that the question as to whether or not an access is right or wrong is not easily resolved. He must be prepared to recognize unusual circumstances in connection with access to boxes rented to fiduciaries and corporations and be capable of recognizing warning signals when unusual circumstances arise. On the other hand, tact is often necessary to handle problems arising from unusual circumstances.

#### Court Orders

Court orders dealing with garnishment proceedings, writs

of attachment, estates and trusts, third party orders, injunctions, searches and seizures should be referred to counsel before action. It is a responsibility of the bank to determine whether such order is valid. It is not a sufficient defense against liability that the order was issued. In this connection the Civil Rights Law of New York State provides as follows: "The right of the people to be secure in their person, houses, papers and effects against unreasonable searches and seizures ought not to be violated; and no warrants can be issued but upon probable cause supported by oath or affirmation and particularly describing the place to be searched and the person or thing to be seized." This statute applies only to criminal prosecution and not to civil actions.

The case of *Roberts v. Stuyvesant Safe Deposit Company* (123-N.Y.-57) is a case in point. The company was served with a search warrant by a member of the police department—such warrant citing that a complaint had been made of the thefts of certain United States bonds and that such bonds were concealed in certain boxes or safes in the company's vaults. Pursuant to such order, access was demanded by the police officer and was formally protested by the safe deposit company. The representatives of the company, however, did not offer any resistance when such officer forcibly opened the box and permitted the removal of contents other than that which was described in the search warrant—nor did they make any attempt to notify their box renter or attempt to procure the return of such property removed contrary to the provision of such order. The court held that the company did

(CONTINUED ON PAGE 94)

#### MODEL CODE GROUP

At the headquarters of the American Bankers Association there was recently held a meeting of the Subcommittee on Model State Banking Code. The result of the work of this subcommittee, which is part of the A.B.A.'s State Legislation Committee, will include provisions covering the safe deposit business. At the subcommittee's meeting, *below, were, left to right:* Francis J. Ludemann, deputy superintendent, New York State Banking Department, New York City; Thomas B. Paton, Assistant General Counsel, American Bankers Association, secretary; David Sive, Legislative Drafting Research Fund, Columbia University School of Law, New York City; Emanuel Gordon, Legislative Drafting Research Fund, Columbia University School of Law, New York City; DeWitte Wyckoff, Counsel, American Bankers Association; Jackson S. Hutto, trust officer, Guaranty Trust Company, New York City; William R. White, vice-president, Guaranty Trust Company, New York City, chairman of subcommittee; Elwood M. Brooks, president, Central Savings Bank & Trust Company, Denver, Colorado; R. E. Gormley, vice-president, Georgia Savings Bank & Trust Company, Atlanta; Joseph Earl Perry, president, Newton Savings Bank, Newton, Massachusetts; Paul R. Hays, professor of law, Columbia University, New York City; Herbert Wechsler, Professor of Law, Columbia University, New York City; Edward Feldman, special deputy superintendent, New York State Banking Department, New York City. Subcommittee members absent at this meeting were John Q. McAdams, president, Winters (Texas) State Bank, and E. Jack Sitgreaves, assistant vice-president, Bankers Trust Company, New York City



# World Business



CHARLES PHELPS CUSHING

HERBERT  
BRATTER

## A Quick Tour with the Yankee Dollar

WHILE world business is being discussed by world businessmen and bankers at the International Chamber of Commerce meeting in Switzerland, trade itself is still very largely the pawn of power politics and the chief cynosure is not Montreux, but the prolonged intergovernmental negotiations at Geneva. Both the businessmen and the officials have as their goal a world of freer trade and prosperity for all countries. But that goal cannot be commanded merely by taking governments out of the business picture today because in so many countries, it is pointed out, the supplies of everyday essentials are inadequate to turn private enterprise loose.

The difficulties of doing business abroad are realized well enough in export and import circles, as witness the high mortality reports of new export-import businesses established since the war. But those difficulties are not generally understood in this country. On this side many items are still subject to export controls. And on the other side the businessman has to contend with import licenses and exchange controls.

### The Case of the Linseed Oil

A New York foreign trader recently told the writer that when he wants to export the industrial raw materials in which he deals, he first must send the prospective buyer a pro-forma invoice, on the basis of which the foreign importer must seek from his government departments a commitment to give him an import license and the necessary foreign exchange. With evidence thereof in hand, the New York exporter then must apply for an American export license, which may involve not only the American Government or the governments of the two countries concerned, but even intergovernmental agencies.

To illustrate, the above-mentioned businessman had a

Belgian order for a quantity of linseed oil, of which there is a world shortage. For this reason, world trade in linseed oil is subject to allocation by the International Emergency Food Council. The IEFC deals only with governments. Because linseed oil has important industrial as well as food uses, and there was a great deficit in this country, the U. S. Government, through diplomatic channels and in the face of keen British buyer competition, was able to get a quantity of Argentine linseed oil for use within this country. There was for a long time no surplus here for export. But in the second quarter the IEFC allocated for export from the U. S. a very small amount for contingencies.

When the American exporter approached the Commerce Department for an export license he learned that the contingency allocation which Commerce had received from the IEFC by way of the Agriculture Department had been exhausted, and that the only way he could get a license for export out of a future allocation would be to have the Belgian Government request the American Government to grant him a part of Belgium's IEFC allocation. And from the Belgian Economic Mission the perspiring businessman learned that it would not attempt to help him until it received word from its Brussels headquarters that the contemplated deal had its approval.

### Foreign Trade Is a Puzzle

Another thing the frustrated exporter learned in Washington was that Belgian officials had been making inquiries in the Agriculture Department for 3,000 tons of the very linseed oil this country had with difficulty brought from Argentina—presumably with the idea that the oil could be had more cheaply here than in Buenos Aires—but had run up against the fact that this country had no linseed oil to spare and that the Government, moreover, remembered how hard-boiled

the Belgian Government had been when this country had to buy Belgian palm oil. Hence if Belgium gets some linseed oil here during the third quarter, it probably will be in exchange for some more palm oil; and meanwhile the American exporter must cool his heels. This is just one example of what it is like to engage in foreign trade today.

Another case is the Commerce Department warning of early June against the extension of credits to firms in Ecuador, where imports are piling up in customs warehouses as local bank credits are cancelled. At the time a representative of the World Fund was paying his second 1947 visit to that financially troubled land.

### **China's View of the Truman Doctrine**

In China, just for instance, things have been going from bad to worse, politically as well as economically, so far as one can judge at a distance. Present indications are that, barring an unforeseen change, the earmarking of \$500,000,000 of Export-Import Bank money for China will be allowed to expire on June 30. This would not mean that China could get no money from that bank. Indeed, as China's chiefs interpret the Truman Doctrine, they should get a great deal more here in the form of gifts. But the end of the earmarking would undoubtedly encourage competition among other countries for a share of that not inconsiderable half billion, even though the last report of the bank stated that it was abjuring further reconstruction financing and going back to its prewar type of activities. France, for one, is said to have in mind requesting half of the \$500,000,000, if it is released from earmark.

The unofficial market for the Chinese yuan, that monetary barometer of China's economic and political typhoon, keeps going up and up. Any stratospheric quotation recorded here would be apt to be out of date by the time this is published.

### **Partition in India**

India's partition this year is widely welcomed as a solution of a long vexing problem, and in Britain especially so because India will remain part of the British Empire. As yet, however, there is still to be worked out between Britain and India the Gordian question of the huge sterling balances accumulated in London by India during the war. Incidentally, India's partition ultimately will mean some adjustment of that subcontinent's representation on the Fund and Bank.

Secretary Snyder (center) signs a recent (mid-May) United States-Mexico \$50 million financial agreement for stabilization of the dollar-peso rate of exchange. At the left is Mexican Ambassador Espinosa de los Monteros and, at the right, Rodrigo Gomez, representing the Banco de Mexico

Since Hindus claim to account for about five-sixths of India's population and economy, Hindustan may be expected to have an appointive executive director on the World Fund and Bank. Just what is finally done about this depends on what currency and central-bank decisions are reached by Hindustan and Pakistan.

### **Revival Attempts in Japan and Germany**

Japan, like Germany, promises to be a long-standing hangover for the American taxpayer. Progress in getting the defeated countries on their feet has been distressingly slow. We have been lubricating the machinery to the tune of hundreds of millions, without moving the economic flywheel from dead center. Lately in the press there have been reports of private American banking discussions looking toward the financing of raw material imports into Germany and Japan.

To the former country the Government recently dispatched a mission to examine the possibility of a \$20,000,000 Export-Import Bank cotton credit, with 5 percent private participation. But this constitutes only a drop in the bucket if partitioned Germany is to be revived. Meanwhile in Austria the delegation headed by Joseph M. Dodge, president of the Detroit Bank and co-author of the still unimplemented plan for German currency reorganization, is finding the Russians as impossible to deal with as is their reputation. Even while the Russians were stalling in Vienna, they put into effect a coup in Budapest, and so brought the iron curtain openly to Austria's frontier. As the obvious extension-in-reverse of the Truman Doctrine, the U. S. immediately and unceremoniously suspended the unused part of the \$30,000,000 surplus-property credit to Hungary.

### **Japan Reopened for Private Trade**

Commencing August 15 American and other United Nations businessmen will again be admitted to Japan to engage in normal commercial, insurance and banking operations, so far as economic conditions make possible. Because Tokyo has been heavily damaged, there is a shortage of housing suitable for businesses and banks; also of hotel and similar accommodations for the personnel of such enterprises. Moreover, since the food for visiting and resident businessmen and bankers must be imported, the Army can accommodate not more than 400 such persons of all Allied





Andrew N. Overby, recently designated United States Executive Director of the International Monetary Fund. Previously he was special assistant to the Secretary of the Treasury

nationalities in the whole area of Japan at any one time.

One American and one French bank are already operating in Japan by previous arrangement. General MacArthur is quoted in Washington as saying that "a limited number of American branches [of banks] might be accommodated." The procedure for an American bank desiring to open a branch in Japan is to apply to its Federal Reserve Bank. The application will be passed upon by the Federal Reserve Board in Washington, but the final approval must come from General MacArthur. At this writing the banking phase of the reopening of Japan is still unclear in Washington.

#### **Britain's Dollars**

In British financial circles there has been considerable agitation of late, perhaps not entirely unconnected with domestic politics, concerning that country's and the world's dollar position. The British loan has been drawn down too rapidly for comfort, although unpublished gold and dollar holdings are believed simultaneously to have grown. The City has been rife with talk of a "second loan," even though there still remains a large part of the \$3,375,000,000 loan and Britain expects to add to its dollar holdings in various ways, such as through acquisition of South African bullion, gold due from France, and favorable balances of trade with America's rubber and tin suppliers in Malaya. Even so, the prevailing British "line" is that more dollars will be needed. One argument in London is to the effect that Britain is in a stronger position to negotiate a second loan now than if she waits until the first loan is exhausted. Britain, the argument runs, will require more dollar help to implement the convertibility clause of the 1945 loan agreement, to make a satisfactory settlement with the owners of existing sterling balances, and to go through with the ITO and freer trade.

While both the American and British treasuries have denied any discussions concerning a second loan, they seem not to have denied exchanges of views as to the exact meaning of the convertibility clause of the loan agreement. The United States apparently wants the broadest interpretation possible, whereas the British want just the opposite. The matter is too technical for detailed elaboration here. It hinges on whether gross or net accumulations of sterling resulting from current transactions after July 15 are to be made convertible for current purposes. The British maintain that to accept the American interpretation would require more

dollars than Britain can spare. Presumably this matter was purposely left vague in the loan agreement, which makes no mention of gross or net.

#### **Our "Negligible" Competition**

The financing of world business is a well known source of income to the United Kingdom. Paul Bareau, British financial editor, pointed out recently that last year Britain's income from overseas banking services totalled about £30,000,000, as compared with about £15,000,000 or £20,000,000 in the prewar decade. How could London make such a comeback, even while the pound sterling has been anything but healthy, Bareau asks; and then he gives the answers.

The first reason, he explains, is the absence of competition. "One might have thought that American banks . . . would have been admirably placed to supply most of the available demand for international commercial credit. But the competition from the commercial banks of the United States in the financing of third party international trade has been negligible." Whereas American banks insist upon 100 percent secured credits, Bareau points out, British banks grant much acceptance and cash credits to finance foreign business without security.

#### **Effect on Domestic Prices**

This was the basis of Senator Robert A. Taft's criticism of the Administration and President Truman's subsequent angry reply.

Taft claimed that in supporting a large foreign loan program the Administration pursues a policy which increases prices of goods within the United States and, by implication, abandons the effort to get the domestic price level down. President Truman at a press conference took elaborate pains to deny that he had abandoned his interest in voluntary price reductions.

And so we find, neither abroad nor at home, that progress in postwar recovery which we expected. Not the least of the questions which puzzle us is whether we are really in a "postwar" world, or in a "prewar" one.

#### **BULGARIAN GOVERNMENT ARITHMETIC**

When Bulgarians were ordered to exchange their old money for crisp new banknotes, all of it, no matter what the sum, was exchanged for just 2,000 leva, the official ceiling for "cash on hand." Such examples of money management will be more and more frequent in Bulgaria and her neighbors



# Britain's Dollar Problem

F. BRADSHAW MAKIN

Mr. MAKIN, a British economist and financial writer, is a frequent contributor to BANKING.

THE worries and problems arising from Britain's fuel crisis and its aftermath have no doubt diverted attention from what may prove to be a still bigger headache, viz., her dollar problem.

July 15, the date on which the sterling convertibility clause of the Washington Loan Agreement comes into operation, is rapidly approaching. On that day sterling balances released or arising out of current transactions must be freely available for current payments in any currency area without discrimination.

Some weeks ago it was confidently stated that the U. S. A. line of credit granted to Britain in 1946 would last until 1949. Now, however, the impact of the fuel crisis on exports is being felt and is reflected in heavier drawings on the credit, which may be used up in the early Summer of 1948. Convertibility must be made on the due date in 1947 irrespective of the state of that credit in 1948 or later.

The problem of Britain's balance of payments, which is in the main one of a dollar shortage, is far more difficult of solution than the coal and power shortage. Britain must import a large percentage of her food and raw materials, which, it will be found, come from the Western Hemisphere or the "hard" currency countries.

Her exports on the other hand, are largely made to countries of the East or "soft" currency areas. As most of the countries of the Eastern Hemispheres have neither gold, dollars nor essential goods with which to pay for their imports from Britain, so Britain is unable to use her trade surplus with the East to help meet her indebtedness to the West. This inability of the East to pay effectively amounts in practice to a drain on Britain's dollars. (Malaya with tin and rubber will increasingly earn dollars which Britain will get for its exports to Malaya.)

## The Present Trade Distortion

The extent to which British overseas trade has been distorted, and has thus aggravated her balance of payment problem is shown in the table below.

DISTRIBUTION OF BRITAIN'S TRADE

Per cent of Imports and Exports

	Imports		Exports	
	1938	1946	1938	1946
Europe.....	33	18	36	38
Asia.....	14	15	17	20
Western Hemisphere.....	33	50	19	15

This distortion in British trade cannot be quickly corrected, while a sorely tried Europe is clamoring for goods for which it is unable to pay. Furthermore, any appreciable increase in British exports to hard currency countries is hardly practicable at the moment.

What is Britain to do? There are only two alternatives, both unpleasant, and one probably impracticable. She can save dollars by cutting imports, or ask for a further loan, a step she has said she is not contemplating. If imports are cut, then there will be less raw material, and thus a fall in



HARRIS & EWING

The slogan being stenciled on the end of the crate is still a familiar one throughout the world, but the present distribution of the crates is an economic problem discussed here by Mr. Makin

British exports. To cut imports with rations on their present level would be impossible. An attempt to reduce the dollar drain has been made by increasing the tax on tobacco, in the hope that consumption will fall by 25 percent. (Also there is some possibility of cutting film imports which Britain is said to be considering.) Even if this does not prove the case the saving in dollars is not particularly great. Incidentally it may be of interest to know that the popular brands of cigarettes under the latest tax now cost 66 cents for 20. The same brand cost 10 cents in 1914 and 20 cents in 1939. Out of this 66 cents now payable, some 56 cents represents taxation.

On top of the effects of the fuel crisis and the distorted export situation, with its resulting balance of payments problem, Britain is to make sterling freely convertible. No wonder some people consider that as the last straw.

But are these dismal ones right? The writer, who is certainly fully conscious of Britain's difficult position, does not agree with them. The freeing of sterling will not add any great extra burden in the immediate future. After the U. S. A. and Canadian credits run out, the situation may prove more serious, but that is another question.

It is generally thought that some form of agreement will be made, whereby the existing sterling balances will be gradually released for convertibility.

As the major part of Britain's current deficit will be with countries of the Western Hemisphere, and will be met out of the U. S. A. credit, the additional pressure on Britain's dollar resources exercised by the rest of the world will not be very material.

The main problem, however, still remains, and that is how can Britain find the dollars after the U. S. A. credit expires? Can she so develop her export trade, correct the existing distortion and switch her imports to enable her to obtain a greater degree of equilibrium in her balance of payments? That, in brief, is the hard nut to be cracked.

# Two-Way Foreign Lending

J. H. DONOGHUE

MR. DONOGHUE is a Washington writer, specializing in financial subjects.

RECENTLY the Export-Import Bank proudly displayed an example of what it wants to encourage in the way of international lending.

In his semi-annual report to Congress on January 31, 1947, Mr. Martin had voiced an appeal for ideas "to facilitate the import as well as the export trade of the United States, and in this way to improve the prospects of repayment of its existing loans."

Harry N. How, president of the Western Machinery Co. of San Francisco, visited the bank shortly after Mr. Martin's policy announcement. Mr. How said that he had a prospective customer in Turkey whose plans, he thought, could be made to fit into the bank's program.

After consultations with Turkish representatives, the Export-Import Bank directors agreed with Mr. How that the proposed loan was a "natural."

It was developed that antique methods of concentrating chrome and copper ore in Turkey were yielding a very low percentage of metal. Annually, more than \$3,000,000 worth of salvageable chrome and copper was being hauled away to the dump for lack of modern ore-concentrating equipment. Mr. How pointed out that, for an investment of from \$1,500,000 to \$2,000,000, these ores could be reclaimed and sold to U. S. manufacturers.

On April 30, the Export-Import Bank signed an agreement with the Western Machinery Co. and representatives of the Turkish Government, providing for financing the \$1,500,000 required for manufacture and shipment of the equipment required for the plant.

Under the agreement, Turkey paid \$240,000 in cash and deposited a \$60,000 letter of credit redeemable at the time of shipment. Turkey also signed "progress payment" notes totalling \$240,000, maturing quarterly as work progresses.

Notes maturing after delivery amounted to \$960,000. Of these, 10 percent were taken by the supplier, Western Machinery Co., and the remainder were taken by the Export-Import Bank as its participation in the transaction.

The prospectus of the venture assured that the installations in Turkey, thus financed, would reclaim copper blister at the annual rate of 3,200 tons, currently worth \$1,440,000, and, in addition, chrome concentrates estimated to be worth \$1,560,000. All of the reclaimed ores would be for exportation from Turkey—presumably to the United States.

The loan exemplifies the three cardinal principles of the new Export-Import lending policy—encouragement of an export, provision for a compensatory import and creation of wealth through production.

In encouraging an export, the Turkish ore reclamation loan achieves the ideal of selling U. S. capital equipment abroad. Heavy industrial equipment is the prime commodity which foreign nations need from the United States for their own rehabilitation and development. There is no inflationary disadvantage, as would be the case in the exportation of consumer goods for which domestic buyers are already bidding up prices.

In providing for a compensatory import, the loan becomes self-liquidating. The copper and ore concentrates produced in Turkey bring dollars in the U. S. market, from which the loan is repaid. Thus the ideal of double-track foreign trade is achieved.

In reclaiming valuable metal which would otherwise go to the dump, there is realized the ideal of creating wealth through production. This principle lies close to the heart of capitalism.

This transaction gives concrete evidence of the bank's intention to avoid fostering indiscriminate exportation for its own sake. It brings into focus the underlying issue in the Congressional debate over the Pepper bill (S 404), which would have this effect.

Senator Claude Pepper, of Florida, has contended that the Export-Import Bank and other government agencies should assist U. S. exporters in an aggressive invasion of foreign markets, on the ground that others will get there first if we delay our sales efforts. The bank is opposed to such a program on principle.

Finally, the loan was not made in competition with commercial banking. The borrower was required to finance a major portion of the investment through private channels. The \$864,000 advanced by the bank was deemed the proper share of the risk which the Government should take, in view of the remoteness and economic condition of the buyer country.

Such projects as the Turkish ore reclamation venture, in Export-Import opinion, are ideal for joint government and private participation. Government participation attests the fact that Washington thinks the project worth backing. Banker participation, on the other hand, expresses public confidence in the type of project which the bank considers suitable for the commitment of public money.

In addition to the engineering "know-how" of American producers and merchandisers, double-track foreign trade thrives on the financial "know-how" of modern American banking.

Hal B. Lary, economic adviser on special areas, Export-Import Bank. Mr. Lary played a major part in the negotiation of the Western Machinery Company loan for copper and chrome ore reclamation in Turkey



BANKING

# The Central File's a Handy Thing

BELLE S. HAMILTON

*The author, who writes "Around Our Bank" each month in BANKING, also writes advertising copy for her bank in the form of a widely-known column called "The Teller." The bank is the First National Bank of Leesburg, Florida.*

WHEN John Doe comes into our bank to open an account or to ask for a loan, there are things we want to know about him. Has he ever had an account before? What was the average balance? Any overdrafts? Any mortgages, suits or liens recorded against him? Where did he live before coming to Ourtown and what was his history there? Any record of bad checks, past-due notes, loans declined? Have we loaned him on open note or do we require security? What is his approximate financial worth—his general reputation?

The answers to all these questions are usually to be found in our central file department, which for the past six or seven years has been one of the most valuable assets of our bank, providing officers with complete and useful information which has enabled them to avoid bad loans and to assist the customer of good reputation and credit record.

From the very day an account is opened with us, a loan granted or a safe deposit box rented, the credit history of our

Sample of a central file report which makes easily accessible all the necessary information about each bank customer

Type of Account—Date Made	
<input type="checkbox"/> Regular	( )
<input type="checkbox"/> Industrial	( )
<input type="checkbox"/> Savings	( )
<input type="checkbox"/> Safety Box (Safe)	( )
<input type="checkbox"/> Trust Department	( )
<input type="checkbox"/> Commercial Loan	( )
<input type="checkbox"/> Installment Loan	( )
<input type="checkbox"/> Credit File	( )
<input type="checkbox"/> Prospect List	( )
<input type="checkbox"/> Buyers List	( )
<input type="checkbox"/> Present	( )
<input type="checkbox"/> CDA	( )
<input type="checkbox"/> New	( )
Customer	
NAME OF ACCOUNT	
Mr. John P. Brown	
MAILING ADDRESS	
1115 Palmetto Ave Leesburg, Fla. above	
AUTHORIZED SIGNATURES	
John P. Brown	
RESIDENCE ADDRESS	
same as above	
PREVIOUS ADDRESS	
1523 Madison St. Tacoma, Wash.	
OTHER BANK CONNECTIONS	
Bank of Tacoma, Wash.	
OTHER REFERENCES	
Mr. & Mrs. James Carson, Leesburg (also parents)	
AMOUNT \$ 500.00	DATE 26
NATIONALITY White Amer.	
BUSINESS CONNECTIONS	
Bookkeeper for John P. Brown	
FAMILY CONNECTIONS	
see above	
CIVIC CLUB OR LODGE AFFILIATIONS	
GENTLEMAN ( ) FARMER ( ) CITRUS GROWER ( ) MERCHANT ( ) PROFESSIONAL ( ) TOURIST ( )	
ARMED FORCES ( ) SALESMAN ( ) HOUSEWIFE ( ) VEIN GROWER ( )	
PROSPECT FOR OTHER DEPARTMENT	
Information checked fully furnished via ( ) NO ( )	
REMARKS	
Moved to Leesburg recently would benefit	
SPECIAL INSTRUCTIONS	
WRITE BANK REFERENCE ( ) WRITE OTHER REFERENCES ( ) REQUEST CREDIT REPORT ( )	
REQUEST DUNN & BRADSTREET REPORT ( ) REQUEST SIGNATURE VERIFICATIONS ( )	
OTHER REMARKS — INFORMATION	
Formerly employed by Abrahams Co. 265 Main St. Tacoma, Wash. Asked if we financed cars—want recent land one.	
NOTED BY	

customer begins accumulating. The officer opening the account fills out a blank like the one shown which, when consulted, yields many details.

This report goes to the central files, where a folder is made and a master is typed in our card index file, alphabetically. The folder then goes to the president, who indicates which references are to be checked. In the case of newcomers, a letter is usually written the bank mentioned as reference, with a request for information as to financial worth, credit habits and general reputation. The reply, after examination by our officers and comparison with the initial report, is filed in the folder, alphabetically, segregated as to the place of residence.

There the folder, with all its contents, remains as a permanent record. If circumstances warrant, a credit report is requested from Dun & Bradstreet, the county credit association, or the bureau in the previous locality. Study of all this data enables our officers to determine in what other bank services the customer might be interested and what bank publications and advertising should be sent him, as well as whether or not credit should be extended.

FROM the day the account is opened, everything coming to our attention which has a bearing on the new customer's credit goes to his central file folder. Details of loans made, copies of any "late" notices on installment payments, over-draft notices, reports of the confidential county bulletin as to mortgages, liens, marriages, deaths, divorce suits, damage suits, judgments, repossessions, and relevant items clipped from the newspapers, all find a place in the file. The central file knows when a safe deposit box is rented, if it was paid for promptly, when it is given up. If the customer gives his wife permission to draw against his account, changes over to the personal checking or savings department, or closes his account, information goes to the central file. "Dead" signature cards, letters returned undelivered by the post-office, analyses of the account for service charges, reports of loans declined, all make their way to the central file. Any special information detrimental to the customer which comes to the knowledge of an officer or employee, is typed on a pink sheet which acts as a "flag" of danger when the central file is consulted.

The result of all this is a pretty accurate picture of the financial worth and credit record of the customer—and a lot of "between the lines" information as to his character.

These files are invaluable to our lending officers. The complete record of the would-be borrower is available—the record is before them when they consider the loan. Charged off overdrafts, little yellow "late" notices, sometimes an unfavorable report from the "old home town," the clipping that tells of a repossessed automobile—all whisper "beware." Likewise, the record of loans promptly met, the analyses of account showing good balances and satisfactory handling, and the profit-showing financial statement switch on the green light.

It's a mighty handy thing to have—this central file system. We recommend one for every bank.

# The Risks in a Building Recession

MILES L. COLEAN

*The author, a nationally-known housing authority, discussed urban real estate in BANKING's pages last February. In addition to being the writer of many surveys and studies of housing and related topics, he is consultant to the Twentieth Century Fund and advisor to the magazine, House Beautiful.*

**T**HE risk of our private lending institutions in the current decline in construction activity is not one of serious monetary loss. Price declines are not likely to be sufficient to impair, or even dangerously disturb, the mortgage structure, a good part of which, in any case, is pretty well protected by government guarantees.

The risk is that, out of the peculiar characteristics which this recession might develop, there may follow a new wave of governmental encroachment upon the mortgage credit system of the country that would leave it private in name only—if that.

To the extent that the inflationary forces growing out of feverish war activity have resulted in construction prices from which the public has withdrawn in dismay, the current situation (in spite of elaborate government precautions) is remarkably like the period following the previous global upheaval—a rapid price rise, a retraction of demand, followed by a drop in the volume of new construction.

With this the correspondence may end. In 1920 and 1921, the readjustment was soon over. Prices fell quickly and sharply. The decline in the volume of new construction was halted within a year by the renewed incentives created by lower cost; and construction moved onward into the biggest boom of building history.

This time, there is the probability that the decline in volume will not be accompanied by a reduction in prices either great enough or early enough to maintain the comparison with the former postwar era. Instead, both the drop and the recovery are likely to be less spectacular than they were in the early Twenties, and the return to a high level of activity may be more protracted.

There are a number of influences at work in the present situation (not present to anywhere near the same extent in 1919) which give credibility to this prognosis. These come from the rigidities that we have introduced into the economy during the war and the preceding depression.

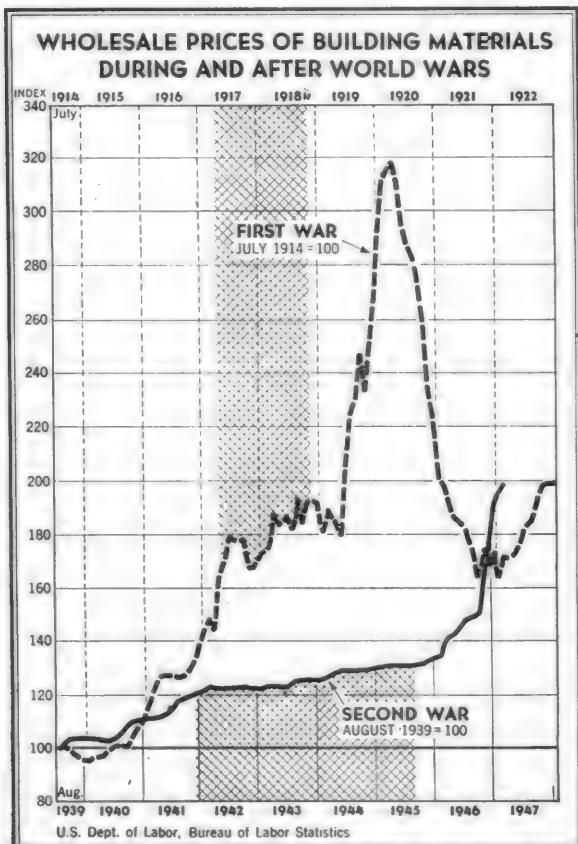
The prices of food and other farm products—the result of agricultural price support programs and other governmental policies—have lost much of their flexibility, at least on the downswing. These main elements in the cost of living, and in the pressure behind wage demands, are thus likely to be pegged at relatively high levels.

As a result of the enormous increase in the extent and potency of union organization, wages have been removed from the area of quick downward adjustments. At the same time, productivity, as a consequence partly of union organization but probably more largely because of governmental and managerial policies during the war, has seriously declined and shown considerable resistance to improvement. These conditions are characteristic not only of construction operations but of the supporting functions of distribution and manufacture.

**A**s a result of the size and unwieldiness of the public debt and the policies that have been followed in its management, the credit structure has been deprived of the elasticity—at least so far as interest rate is concerned—that would permit it to be used as a quick and effective stimulant. Rates have been kept so low during and following the war, that no appreciable decline appears possible.

The traditional means for bringing about either a rapid reduction of price or of stimulating a quick recovery are now absent. This was not so in 1919 and 1920. At that time a substantial drop in farm prices withdrew much of the pressure in back of wages. Wages themselves, unprotected by law or agreement to the extent now true, also dropped substantially and in many cases no doubt cruelly. Productivity in manufacturing increased 20 percent in the two years following the slump. Interest rates and tax rates both were favorable to capital expansion. The drop, sharp and unpleasant—to put it mildly—was soon over.

What does the loss in flexibility mean? Simply this: that it makes it possible to have a decline in volume without drastic reductions in price, an increase in unemployment without wage cuts, and a withdrawal of demand without being able to apply the stimulus of easier credit.





#### "CREDIT IS NO LONGER MERELY A BUSINESS MATTER . . ."

Two attractive, well built, bank-financed housing projects, the one at the left being Leonia Manor, Leonia, N. J., and the other Shrewsbury Manor near Red Bank, N. J. Financing was by the Bowery Savings Bank, New York City

The loss in flexibility can, therefore, retard recovery. Aside from the relatively narrow range of price reduction that lies in current profit margins, productivity remains the one element in the equation from which important readjustments can be expected. But this process might be protracted, accompanied by considerable unemployment.

A combination of a slow price adjustment, increasing unemployment and continuance of a housing shortage is a recipe made to order for government intervention. After the conditioning of the last 14 years, it may be seriously doubted that government, no matter in what party-control it might find itself to be, would shirk—as it would be said—the responsibility for doing something about it. Judging also from the same experience, the temptation to devise support programs for construction would, under such circumstances, be almost irresistible.

THE PATTERN of such support has now been firmly established: direct expenditures for public works, loosening of credit, subsidy where loose credit is not sufficiently effective.

Of all the lessons of 16 years of economic tinkering, only one seems to have been learned—public works are no longer looked upon as a general panacea for unemployment. However, public construction undertaken in a depression period is still looked upon as a major prop for the worst period. Today a large backlog of projects exists, for a good deal of which plans have already been made. Demands for an increase in such work may be contemplated during the coming months. Included in this, of course, will be demands for new public housing, for which the original argument of support for employment can be reapplied with new vigor.

If any judgment can be made from recent trends, however, the main approach will not be through public works or public housing but by increasing so-called "aids to private enterprise." In spite of the fact that credit already appears to have been eased beyond the limits of sound practice, such new credit devices and guarantees as provided in the Taft-Ellender-Wagner Bill would certainly get revived strength if a recession did not quickly produce price reductions and increased volume.

Perhaps even more ominous of the hysterical approach to cost and credit that might follow upon any delay in market adjustment is the bill recently introduced by Senator Baldwin of Connecticut. This measure would make FHA financing available on the basis of zero down payment,  $3\frac{1}{4}$  percent interest, and amortization at 40 years for home

purchase and 50 years for rental housing. In addition, at least \$300,000,000 (the sum is not too definitely tied down) would be made available to the states on a matching basis for use by local housing authorities and private entrepreneurs. The public housing agencies would be empowered to contract directly for sales and rental housing and to write off in the form of subsidy those costs which the authorities may judge to be excessive.

Coming from the conservative side of the Senate, this bill is at least evidence that loose credit and subsidies as economic medicines are not the monopoly of one party. It is also evidence of a widespread lack of political understanding of the function and limitation of credit as a stimulant, of the background of the mortgage interest rate, and of the relation of credit to price.

Instead of helping recovery, all such financial devices—grants for public works, subsidies for public housing, loose credit and subsidies to private owners and builders—can serve but one purpose: the underwriting of an unbalanced cost situation and, consequently, the delay, if not the actual prevention, of adjustment so long as they were widely in use.

From labor, welfare and some local political groups have come repeated urging of the advantage of using the federal bond rate or the tax-free state and municipal bond rate (with some sort of federal support or guarantee) as the basis for housing credit. The "failure" of private institutions to carry out a political program would add weight to this proposal. If such a shift in the supply and direction of credit would result in a solution of the housing problem it might be justified; but, on the evidence of the past, the trend would be only in the direction of increased subsidy to support an increasingly unbalanced cost situation. Cost feeds on subsidy; it is not abated by it.

All of this unpleasant foreboding is not offered as a prediction. It certainly may not happen. On the other hand, it is not offered as a synthetic nightmare. It could happen.

The moral of such a scare-piece as this is that the private lending institutions of the country must understand both their present position and their peril if they are not to risk the steady attrition of their independence. They should recognize political situations that affect the credit structure and by information and argument forestall, if they can, solutions that are fruitless in their immediate objective and disastrous in their long-time effects. They must, in short, be politically alert. Credit is no longer merely a business matter; it is a super-charged political issue.



Two of the trust department's 25 employees search through extensive files

## The Stockholders Stay for Lunch

D. H. MOREAU

MR. MOREAU is publisher of the Hunterdon County Democrat, Flemington, New Jersey, the corporate home of many large American businesses.

How the corporate trust department of a country bank in Flemington, New Jersey, serves some of America's leading corporations is an interesting story.

It all started 10 years ago when Standard Oil Company (New Jersey) moved its registered office to this pleasant county seat town, 50 miles from Manhattan, in an effort to avoid high tax levies placed on its intangible personal property by the New Jersey cities where the company had formerly maintained its principal offices.

Chosen as its New Jersey agent when the move was made to Flemington in 1937 was George K. Large, president of the Hunterdon County National Bank of Flemington and a prominent lawyer. Ten years later Mr. Large is serving in similar capacity for many other New Jersey corporations, including Eastman Kodak, Borden and Republic Steel.

Intervening years found the urban centers levying more heavily on corporate intangibles, with corresponding activity on the part of the corporations to move to where lower municipal and county budgets and local concern for the problem of the taxpayer, assured relief. By 1943, Mr. Large's office door carried the names of 140 corporations, nearly all of which were holding their annual meetings in Flemington and had removed to that town their corporate records, which under the New Jersey law, must be maintained in the community where the corporation has its official residence.

It was about this time that Judge Large set up an annex to his office in the banking house and engaged the services of the bank's executive staff and trust department to help handle the detail of keeping the stock ledgers of these corporations. Today this responsibility is under the direction of the cashier, William J. Kinnaman, furnishing a profitable sideline for a prosperous bank.

Two years ago the legislature of New Jersey, prompted by

a former governor, enacted legislation which placed a special tax on the intangible personal property of resident corporations and relieved them of local levies on this type of holdings. It looked then as though the clients who furnished the principal traffic for the trust department of this country bank would pick up and return to their former abodes in Newark, Jersey City, and environs, closer to New York. But this exit from Flemington has not occurred.

The reason? It seems to be a combination of good service, economical charges and pleasant country atmosphere.

Moreover, the directors of some of the corporations are finding that interest in their stockholders' meetings is picking up, that they are seeing more of the people who own stock in their enterprises than they ever saw of them before. They are aware of the advantage of cultivating more interest in the meetings and getting closer to the folks who furnish capital for their operations.

The first few years, for instance, that Standard Oil Company (New Jersey) held its meetings in Flemington, attendance was limited to a handful of officials, with a few "regulars" among the stockholders, most of them representatives of owners of large blocks of shares, turning out. And there was usually a sprinkling of professional "stockholders' representatives" who sought to show their clientele they were "on the job" by asking questions that would make the newspapers.

It was always Standard's policy to feed those who attended its annual meetings. This feature became so popular that Mr. Large was called upon to seek larger quarters to serve luncheon to the growing list of men and women who wanted to be present and, incidentally, to partake of a "country dinner." The group had outgrown the town's one hotel and the ladies of Grandview Grange were called upon to serve "the overflow." A larger meeting place was needed and the Grange's hall, over the dining room, was selected.

Each year when notices of Standard's meetings went out, stockholders were invited to make the trip at the company's expense as well as to enjoy the country dinner. Attendance jumped from a hundred to two hundred. Busses

were chartered to transport the party from Rockefeller Center, through the tunnels and over the super-highway to Flemington, "in the green hills of Northwest Jersey."

When the busses were outgrown, the Lehigh Valley Railroad's Black Diamond Express was utilized. Next step was a special section of the railroad's crack train.

Weeks before the June 3, 1947 meeting, Standard's executives in New York commenced preparations for a still bigger and better attended stockholders' meeting. They sent word to provide for at least 600, for reservation cards were piling up rapidly. A few days later, instructions came through to raise it to 650 plates, then to 700, 800 and finally the bank was called on to help Mr. Large arrange for feeding 865 persons.

In addition to the hotel, a restaurant and the Grange, the Presbyterian, Methodist, and Baptist Women's departments were enlisted to help feed the multitude. The theatre had been outgrown, and it was decided to "wire the courthouse for sound" to accommodate the overflow.

To a moderate extent some of the corporations have, as a gesture of good will for the courtesies extended by the bank's trust department, made deposits in the Hunterdon County National Bank, whose total deposits run to \$9,000,-000. Its capital is \$100,000 and surplus and undivided profits \$850,000—a rather neat capital structure for a bank in a rural county of 37,000 people and a town of 2,600.

It's a far cry from making loans to farmers on livestock, equipment and growing crops to servicing a corporation like American Tobacco Company, Crucible Steel or United Fruit, but Mr. Large and Mr. Kinnaman and their assistants have the necessary versatility.

The companies are happy, the bank finds the business profitable, and the Flemington folk glory in the recognition their community receives as the official dwelling place of great business organizations. The townspeople also like to rub shoulders with the men who make the companies go—men who are mostly just "boys from the country," who early in life learned how to take responsibility.

Left, stockholders at lunch; right, Standard's Chairman F. W. Abrams addressing meeting





## Are Consumers Borrowing for C. of L.?

A. ANTON FRIEDRICH

The author, a regular contributor to BANKING, is professor of economics at New York University and a member of The Graduate School of Banking faculty. He is also co-author of several books on economics, and contributor on economic subjects to the *Encyclopedia of Social Sciences*.

**I**N the chart (on the following page) giving the pattern of bank investments in consumer credit, the area representing personal cash instalment loans clearly dominates. Moreover, since the end of the war, there is an easily recognized bulge so that the field of personal loans now covers a larger part of the total area of consumer credit than in 1941.

Personal cash loans are today the largest single class of consumer bank credit. They were the first of the various types of consumer bank credit to exceed the 1941 level. In April of this year, the latest month for which consumer credit figures are available, the personal loan portfolio was more than 36 percent greater than in 1941, whereas total bank investments in consumer credit had increased only 12 percent over 1941. Consequently, personal loans today are a larger proportion of consumer bank credit than in the pre-war period.

Now this development has caused a certain amount of concern on the part of those who follow consumer bank credit trends. And no wonder. Personal loans are probably the less profitable segment of consumer credit. Both their acquisition and servicing demand a great deal of attention, consume a lot of time, and require a considerable amount of clerical work. The headaches per loan and the costs per dollar are high. The net proceeds are low. Thus it would appear that the postwar bulge of consumer bank credit has been mainly in the low yield area.

**A** SECOND consideration which really agitates anxiety is the possibility that an appreciable part of the 1946 upsurge in personal loans is the result of the pressure of rising prices upon the standard of living. When rising prices threaten standards of living, some consumers may be tempted to seek temporary relief from the embarrassments of unpaid bills by borrowing.

Loans which result from an inflationary price pressure on the standard of living are likely to have an unsatisfactory outcome both from the point of view of the consumer borrower and the lender. To the borrower, they postpone for only a short period the day of reckoning when he must adjust his scale of living to the level of his real income. And when he comes to repay the loan, prices may be even higher and the readjustment even more painful. To the lender, such loans may mean slow repayments, frequent

delinquencies, recasting of terms, and even defaults, thus greatly increasing costs and reducing profits.

To conclude, however, that any appreciable part of the personal loan portfolio is made up of such loans seems to me to be overly pessimistic. To be sure, prices have risen sharply in this postwar period and so have personal loans. On the other hand, there are a number of factors other than rising prices which seem to me to go a long way toward explaining the bulge in the personal loan portfolio.

(1) Consider the effect of Regulation W on the pattern of consumer bank credit. The restrictions of Regulation W on borrowing to buy an automobile or a chaise longue do not apply to loans for medical, dental, and hospital expenses. Borrowing, therefore, is and was during 1946 somewhat freer on a personal basis than on retail purchases. And sometimes it happened, by a kind of alchemy perhaps, that a loan to pay the doctor provided funds to buy a 1937 automobile with a mileage of 75,000 but still shiny—at least, in spots. How general this was, I do not know, but that there was some siphoning of consumer credit into personal cash loans for reasons of convenience and Regulation W is very likely.

(2) Repayment periods are generally longer in the case of personal loans than in the case of automobile or other retail purchase loans. The longer the repayment period, the more rapidly, with a given volume of lending, the total of outstanding credit grows. And this also played some part in the fact that personal loans overhauled the 1941 level so rapidly.

(3) In 1946 as compared with 1941, people had higher incomes against which to borrow. Consequently, the average loan of those who did borrow would be somewhat higher than in the prewar years. Moreover, 1946 provided plenty of occasions and situations to induce borrowing. Marriages and births were unusually high, high enough to compel the statisticians to revise their population growth trends. Setting up new households, paying medical and hospital expenses attending the birth of a child provide both the need and the incentive to borrow. Might not, therefore, some of this be reflected in the postwar bulge of personal loans?

(4) In this postwar period other types of consumer instalment credit have lagged simply because durable consumer goods have not been available in sufficient quantity. Examining the data of consumer credit more closely one is inclined to the conclusion that personal loans have not expanded disproportionately but rather that other types of consumer instalment borrowing have not kept pace.

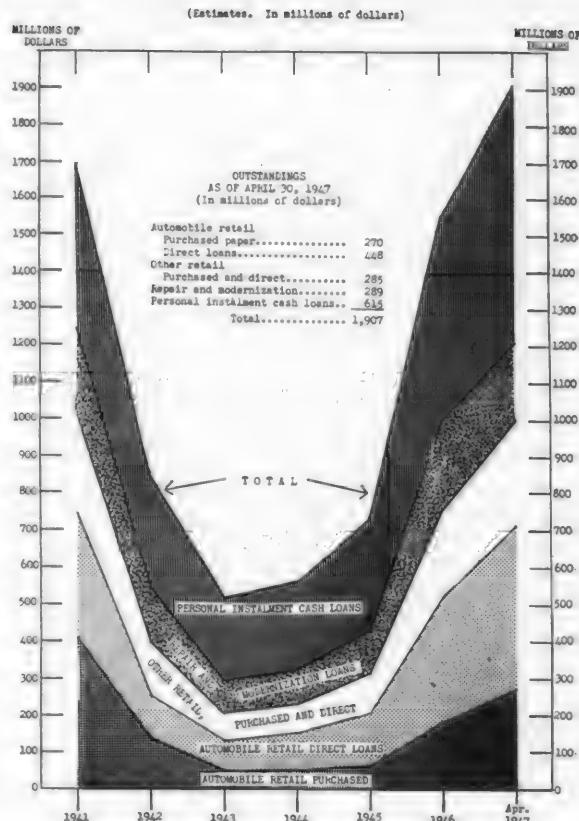
(5) An important consideration which may account for the upsurge of the personal loan portfolio is the improved competitive position of the banks. The banks now have an appreciably larger share of all instalment lending than before

the war. The increase in personal cash instalment loans made by banks is, when compared with the 1941 level, approximately double the increase in total personal cash instalment loans. As a matter of fact, if we consider all personal loans by all lending agencies, the increase over 1941 is only a moderate one, slightly larger than for consumer instalment credit as a whole, but not to any significant extent. One simple answer to the question of the expanding personal loan portfolio of banks is that, of the total personal loan borrowings, more has gone to banks than in the prewar years.

On the basis of developments thus far in 1947, I venture to predict that the chart of bank investments in consumer credit, say some six months from now, will show a quite different picture. The bulge in cash loans will have disappeared. Bank investments in direct loans for the purchase of automobiles are rapidly overtaking the personal loan portfolio. Purchased paper is expanding, although not as fast as are direct loans. On the other hand, the monthly rate of increase of personal cash loans, even though prices are higher and are still rising, is lower than in 1946. The expansion of the other classes of consumer instalment credit will soon reduce personal cash loans to the more respectable ratio of 1941.

Now I do not want to minimize the warning against the cost-of-living loans. They need to be watched, but I suggest that, so far as the figures show, consumers up to now have not been borrowing unwisely to any appreciable extent to maintain their standard of living.

Consumer credit outstanding of commercial banks by type of credit



## A.B.A. Opposes Peacetime Consumer Credit Regulation

JUST as governmental business credit could unduly influence the free flow of credit; likewise selective or qualitative controls exercised by our central bankers could lead to the same thing," Kenton R. Cravens told the House Banking and Currency Committee recently. Mr. Cravens, vice-president of the Mercantile-Commerce Bank and Trust Company of St. Louis, Missouri, spoke for the Credit Policy Commission of the American Bankers Association, of which he is a member, on the subject of government loans and guarantee of loans to business.

"The real issue involved with any such regulation as W is whether Congress should extend the qualitative credit controls of the Federal Reserve Board or confine these powers to purely quantitative controls and other credit controls now existing, such as authority to charge the discount rate, required reserves, open market operations, etc. No one argues that our central banking authorities should not have the power to regulate the over-all supply or volume of credit to level booms and depressions. But the power to dictate the use of credit is altogether another and dangerous thing," Mr. Cravens said, in part.

"Such power is too great to delegate to anyone or any group or any government. It is incompatible with the philosophy upon which this country was founded and developed to be the greatest nation in the world today, and those who seek such power should realize its implications and responsibilities."

"We are opposed to the selective control of consumer credit primarily because: First, from the standpoint of its economic soundness, we can find little evidence to support the view that consumer credit initiates the turns in the economy either up or down, and we think it more likely has tended to follow these turns rather than lead them. Second, from the standpoint of its social implications there already has been much said before this committee with respect to its resulting in discriminating against the low income groups. Third, because we firmly believe it won't work and even if it did work, it is not worth the price."

## Regulation W May Go

CONSUMER credit controls may be eliminated this Summer, according to Marriner S. Eccles, chairman of the Federal Reserve Board, unless Congress authorizes peacetime regulations. Mr. Eccles told the House Banking Committee that the Board recommended to President Truman that controls be canceled unless they are made permanent by legislation. Regulation W is exercised under executive order, but the House Banking Committee is considering the establishment of peacetime consumer credit restrictions.

Mr. Eccles expressed his own opinion that controls are necessary to "reduce economic instability." "When such goods (in short supply) become available in larger quantities," Mr. Eccles said, "reasonable restraints on consumer instalment credit would serve a useful public purpose because they would tend to induce sellers to reach more customers by reducing prices" instead of relaxing instalment credits.



The airplane unloading operation, supervised by Mr. Roth (in center of doorway with arms folded)

## A Department for Family Banking

ONE recent Friday afternoon about bank closing time, motorists passing through Franklin Square, Long Island, slowed down a bit to make sure their eyes were telling the truth. There was no question about it. Workmen were unloading an airplane from a truck and moving it into the lobby of a bank. A large window in the front of the bank was equipped with rollers, so that it could open like a sliding curtain.

When they got the plane inside they suspended it by means of special hooks and put a sign on it to the effect that the price was \$6,000 and the bank would finance it one-third down.

It was a four-passenger Republic Sea-bee, and the first of many other exhibits of products which the bank does *not* sell. What the bank does sell is the money and services to buy them.

Any resident of Franklin Square could tell you the whole story. "Oh, that's the Franklin Square National Bank. They have just remodeled their entire building and constructed a special addition with a separate entrance for 'family banking' or 'retail banking.' This part looks more like a very fine store than a bank, with exhibits of dozens of things that the bank will finance."

When President Arthur T. Roth of the Franklin Square National Bank planned his new building he decided to be realistic about the fact that there are two entirely different kinds of banking

—wholesale and retail. Therefore the bank is divided into two quite separate parts, each with its own entrance from the street.

"Family banking," says Mr. Roth, "has become so important to us from an income standpoint that I felt it deserved special treatment." He pointed to a huge sign at the front of the new building which proclaimed "Family Banking —The Gateway to Your Future."

Government figures, he said, show that there are three types of business that banks do with families or smaller customers, each of which is about equal, as a source of revenue, to the traditional types of banking. These are (1) instalment loans and small business credit, (2) all kinds of mortgage loans, and (3) the sale of various services, including special checking accounts, activity charges, travel services, money orders, Christmas clubs, savings, safe deposit and others.

Working from this premise, the bank decided that the usual type of accommodation for family business was far too cold and inaccessible. The theory was that it is hard to merchandise imaginatively such intangibles as money and services so in planning this department the bank sought the services of an architect who had specialized in non-bank buildings such as department stores and theaters and other types designed to handle a large number of people.

All the exhibits in the family banking department are tied in one way or another with consumer credit, savings or safe deposit. The initial exhibits include a display by a local department store, also a complete modern kitchen, a television set, a diesel engine, a radio, a refrigerator, a hot water unit, an automobile motor, small model houses, a baby carriage, a children's clothing store, a jewelry store, coin banks, a hearing aid, an oil burner and cameras.

In every case there is a card or announcement connecting the display with one of the bank's services. For example, in the display of the jewelry store the bank puts in a word for its safe deposit service. With the travel bureau there is an exhibit of travel literature and cameras by a local dealer. In connection with the display of children's clothes and a baby carriage the bank calls attention to its savings department. In most of the displays, however, the tie-up is with the consumer credit department.

The exhibit space is rented on a monthly basis with a minimum of three months for each exhibitor. The sponsors can change the exhibit any way they wish during the three-month period. Naturally the space is limited as far as large exhibits like airplanes are concerned. According to present plans, when the airplane exhibit has remained its allotted time, it will be replaced by an automobile or a motor boat.

The bank takes care of all upkeep, insurance and the preparation of suitable signs. One man of the bank's staff will be in charge to answer requests for information from customers interested in purchasing. During the first few days, at least, the exhibitors will be asked to have somebody on the job during the busy times of the day to answer inquiries.

This entire family banking department represents a complete departure in appearance from the usual bank lobby. At the right as one enters the door is a small teller's counter, about the right height for a child seven or eight years old. This is going to be the center of savings service to children and, for awhile at least, every child who comes in to transact any business will receive a lollipop.

"We don't want the parents to deposit for the children," said President Roth. "We want the boys and girls to come into the bank and get to know us and to do everything themselves. We designate from 3:30 to 5 every Friday as our children's hour and we pay interest on every dollar."

There are several other points in this connection which are of interest, from a practical standpoint. Two percent interest is paid and the aggregate deposit for each child is limited to \$200. A child reaching 15 years of age must open a regular savings account. Deposits can be made in even dollar amounts only and no withdrawals are permitted unless the account is closed out entirely.

The main counters in the family banking department are designed in sections which can be arranged to form a complete hexagon. However, various other arrangements can be made by using a smaller number of sections. Each section includes a glass-enclosed, lighted show window. These will accommodate smaller exhibits adapted to this kind of display.

There are many novel features in these counters, all intended to facilitate the work and make it convenient for the customer.

One feature of the whole arrangement which may strike many bankers with surprise is the almost complete absence of any attempt to insure privacy to borrowers. About a year and a half ago the bank began to experiment with the idea of eliminating what it called "behind closed doors" or "second floor" arrangements in the small loan department. These tests indicated that there was no basis for the assumption that most people wanted to keep their loan applications a secret. According to

members of the bank staff, it was discovered that people seemed to be proud of doing business with the bank. So, the bank reached the conclusion that the old idea of privacy made customers self-conscious and a little bit hesitant about making a loan.

"We intend to do this kind of business right in a show-window," said President Roth. "Our customers like the informality of it. Occasionally there might be someone who hesitates or would prefer not to make his application within the sight and hearing of others or, perhaps, there might be a person from whom we needed more than the usual information. In these cases our interviewer senses the situation and asks the individual to be seated at one of the desks in the rear."

While he was talking there was a cluster of borrowers around the consumer-credit desk and their attitude certainly bore out strikingly the practical results of this procedure.

The busiest time for this part of the bank is Friday evening, so it has long been the practice to remain open then. It has been found to be the best time for a husband and wife to come into the bank together.

The so called family department also handles small business and GI loans of all kinds up to \$5,000. In view of the fact that a very large proportion of businesses are capitalized at \$5,000 or less, a loan of this size really means that

the bank is investing in the capital of the concern. Therefore these loans have all been brought into the consumer credit department where a closer control can be exercised. Also a great many of them might be "marginal" from a risk point of view. Therefore a higher rate is necessary.

At present this department of the bank has a net outstanding of about \$4 1/4 million. It made a total of 8,000 loans last year.

In the lobby of the family banking department are several interesting murals painted by E. J. Sinnott, an artist of nearby Hempstead. The subject matter includes sports, industry and all the activities of family life, arranged in a pattern to show the banker occupying a central position in the day-to-day affairs of a community. The caption of the main mural is "The Future Is Now."

In a balcony overlooking the lobby of the new part is an area that will be made into a library for the public's use. It will include books on banking, general business subjects, home construction, and volumes of local historical interest. There will also be architects' samples and various other things selected for the convenience and interest of bank customers.

In addition to the new structure, the older building is also being completely remodeled. There will be music wired

(CONTINUED ON PAGE 92)

A sectional mobile unit for a teller at Franklin Square National Bank, with a window display being arranged



# Consumer Credit News Exchange

## Merchandising

THE COMMERCE TRUST COMPANY, Kansas City, Missouri, analyzed the source of its consumer credit volume through a six-months period and found the majority came through dealer contacts. In many cases, dealers have indicated strong preference to finance through the local bank rather than the commercial finance companies, because the bank can sell the dealer on a personal service basis, in addition to being a little more familiar with his problems and requirements. The local bank can also be more flexible in its policies and requirements, according to COMMERCE TRUST. . . . ¶ THE NEW HAVEN (Conn.) BANK, uses mostly A. B. A. advertising "mats" in local newspaper ads. . . . ¶ THE DENVER (Colo.) NATIONAL BANK, which has been operating an instalment loan department for 16 years, publishes a four-page news sheet, laid out in regular newspaper style but in reduced size, to advertise its various personal lending services. . . . ¶ During the war, THE CONTINENTAL NATIONAL BANK AND TRUST COMPANY of Salt Lake City, Utah, distributed approximately 5,000 folders by mailing them to customers with their paid notes. Lists of individuals were procured through the local R. L. Polk Directory and mailed with a special letter. During the past year the bank's volume has increased 400 percent. . . .

THERE seems to be quite a bit of competition in our city for consumer credit business, *with most of the lending institutions making personal contacts*, says THE FIRST NATIONAL BANK OF ANNISTON, Alabama. . . . ¶ Out of 520 letters to dealers, contractors and applicators in the FHA Title I and home modernization loan field, THE UNITED STATES NATIONAL BANK of Portland, Oregon, had a slightly better than 3 percent return. These leads were followed by individual contacts and the bank soon discounted enough notes from dealers to offset the cost of the program. . . . ¶ NORTHWEST SECURITY NATIONAL BANK of Sioux Falls, South Dakota, expects the bank agent plan to help it develop direct auto loan business as time goes on. . . . ¶ THE CENTRAL TRUST COMPANY, Cincinnati, Ohio, uses the inside front cover of the telephone book and a quarter page in the classified section to promote its consumer credit service.

INDUSTRIAL NATIONAL BANK, Detroit, has been doing a moderate volume of boat financing for the past 10 years and finds boat paper very easy to handle. The bank finances water craft, including canoes, rowing skiffs, outboard hulls, inboard speedboats and runabouts, sloops, ketches and schooners with or without power, but shies away from transactions involving the larger documented craft.

Most of this type of business the bank develops through boat dealers by direct solicitation. At one time, it ran a "liner" in the classified section of the daily newspaper, but this netted only a few over-the-counter deals and loans and was not productive of any great volume.

The rate on boat financing is 6 percent add-on, and, since Regulation W has been lifted on boats, the bank takes moderately priced deals on an 18 months' basis. Down payments as a rule are held to a minimum of 25 percent, although the bank finds little difficulty in getting one-third down on most transactions.

THE FIRST NATIONAL BANK OF ARTESIA, New Mexico, finds its instalment loan department one of the most profitable activities of the bank. Of a loan total of about \$2½ million, a good half million is in instalment loans. They have been doing this type of financing for many years and discovered that problems are not very large if a bank knows its dealer or customer before making the loan.

The bank's biggest problem is the tendency to allow payments to become past due. "If you once grant an extension of a payment, (the customer) gets the idea that you will extend any further payment he might have trouble in making," according to Fred Cole, vice-president.

FIRST NATIONAL finances automobiles, trucks, livestock trailers, refrigerators, furniture, electrical appliances and butane gas equipment, all of which it finds very profitable and very appealing to ranchers and farmers. The bank also finances many small outboard motor boats. Mr. Cole considers instalment loans on motorcycles as most hazardous.

## Outlook for Durable Goods

IN general, production is up and output of final products continues to move toward a better balance as a result of increasing raw material supplies and organizational gains along the assembly lines, according to the Department of Commerce. Both manufacturers and distributors have made substantial progress in rebuilding their stocks. . . . ¶ The real income of wage earners is outrunning the income of other groups in America, the latest consumers' study made by Investors Syndicate reveals. . . . ¶ Between 1869-78 and 1929-38 national income, in 1929 prices, increased sevenfold and per capita income more than doubled, according to the National Bureau of Economic Research. . . . ¶ "American Business Directories," issued by the Department of Commerce, is designed to help businessmen locate sources of supply and lists of prospective customers for their goods and services. . . .

WHILE this country's ability to standardize and produce in large quantity is without equal, many of the inventions and basic ideas behind our large-scale production are of European rather than of American origin, according to Dr. Charles Allen Thomas of the Monsanto Chemical Company. . . . ¶ Tabulation of 1,000 consumer requests for all-electric kitchen plans shows that more than 65 percent of home owners place a valuation of less than \$10,000 on their properties, according to Hotpoint, Inc., appliance manufacturers.

# THE INVESTMENT MARKET

H. EUGENE DICKHUTH

MR. DICKHUTH is a financial writer on the staff of The New York Herald Tribune.

THE unsettlement in the securities markets continued well into June with the main trend still downward, except in government obligations, where prices remained steady, as did the levels for high grade corporate bonds.

Municipals recovered slightly. Although many planned public works projects have been postponed throughout the country owing to high prices, further substantial state and municipal financing is in the offing. Among recent new issues were a \$200 million flotation by Michigan and a \$300 million issue by Illinois. Proceeds of both are to be used for the payment of bonuses to veterans.

## This Year's Bright Spot

Indeed, offerings by states and municipalities have been the bright spot of the investment banking business this year. The volume of new securities in this category in the first five months of the year aggregated \$1.1 billion. This compares with \$1.2 billion of such issues offered during the entire year of 1946.

However, new corporate financing from January 1 through May was off 35 percent, against the second half of 1946. It totaled somewhat less than \$2 billion up to May 31. Public utility financing accounted for a large part of the private offerings, but the experience was not always a happy one. The recent American Telephone & Telegraph Company flotation at first was a near-marketing-fiasco, large blocs of the securities remaining in the hands of underwriters.

There were few explanations to be had why the issue had been so "sticky." Some blamed it on the unusually large amount—\$200 million—while others said that, although two major insurance companies had taken up sizable amounts, other institutional investors who had been expected to participate were not heard from.

The stock market decline at mid-June had produced new lows in the Standard and Poor's index of 402 stock prices. All major groups sagged to new lows for the postwar period. Railroad shares led the downward parade, being 11 percent below the October 1946 level. Gilt-edged securities fared somewhat better.

## Effect of the Foreign News

It may be said at this point that a serious view is being taken of the foreign situation, both commercially and politically. Aside from the headlines which have made it clear that Soviet Russia is creating her own "cordon sanitaire" against the western world, the democratic sister republics continue to be in dire straits, particularly insofar as their balance of payments is concerned.

With United States exports nearly doubled above the projected rate for 1947, the need for dollars throughout the world and the requirement for dollar loans will soon reach the acute stage. The facilities of the world bank and the world fund are regarded as wholly inadequate to cope with

this situation. The new "Truman Doctrine," however, makes help for these countries the cornerstone of American policy. More government loans than we have yet heard about are thus expected.

This trend is clearly indicated in the weekly fiscal and banking statistics. Increases of gold stocks in the United States—in payment for American goods—are reported nearly every week. Despite the Treasury payment of \$488 million for American subscriptions to the World Fund, gold rose from \$20,529 million on December 31 to \$20,878 million on May 14. This is a net gain of more than \$830 million, represented both by release from earmarked gold held by the Federal Reserve Bank of New York for account of central banks abroad and by actual gold shipments. Imports from Russia in 1946 totaled \$33 million.

## Labor and Investment Accounts

The continued unrest on the labor horizon—even though it has quieted down somewhat—has led to a good deal of reshuffling of institutional investment accounts. Managers of large funds have begun a systematic shifting of holdings from industries where labor is a high cost factor into businesses where this ratio is low, as for example in oils and other service industries. Higher wage demands in the future, it is argued, will hurt those enterprises less in which labor costs are not a too predominant part of total expenditures.

Another interesting investment sidelight was an announcement by the Institute of Life Insurance that for the first time in the history of the business, the net rate of interest earned on invested funds of life insurance companies had dropped under 3 percent. The 1946 earning rate for the business as a whole was 2.92 percent, against 3.07 percent in 1945 and 3.61 percent in pre-war 1940.

Most indices point to continued stability in the government securities field. Retirement of Treasury obligations in the first half of 1947 totaled about \$8 billion. This was achieved from excess funds of tax receipts over expenditures and from an excess of savings bond sales over redemptions, quite unlike the redemptions of \$23.3 billion of marketable Treasury obligations in 1946 for which excess subscriptions from the Victory loan were largely responsible.

## Decisions May Be Impending

Continued gains in gold stocks and decreases of money in circulation are regarded as contributing factors of strength for the government securities market. However, as soon as tax and budget legislation is completed in Washington and the Treasury thus has a clearer idea of its revenue out of projected national income, important fiscal decisions may be made which may have an unsettling effect on government securities.

As indicated on previous occasions, the Treasury may then decide on proceeding with the unpegging of short term rates and may reconsider issuance of a new long-term 2½ percent bond for non-commercial bank investors.

This may, however, be postponed until after the first offering of debentures by the International Bank.

# The Country Banker

U. S. DEPARTMENT OF AGRICULTURE SOIL CONSERVATION SERVICE

## "No Bank Is Stronger than Its Friends"

KARL DETZER

MR. DETZER is a well known magazine writer.

THE sign on the bank said business hours were nine to two. But it was past five when the old Negro, without hesitation, opened the door and walked in. The tellers still were busy with a dozen customers, a third of them Negroes.

"Evin' Mister Will," the old Negro greeted a big, calm graying man in a tiny office near the door. "I'd like to borrow a couple hun'ed dollahs fo' spring plantin'," he said.

Will Campbell, 58-year-old president of the National Bank of Eastern Arkansas, called to a note teller: "Fix up Uncle Jim, please." He didn't mention collateral. Uncle Jim signed the note and walked out with his money, grateful but not surprised.

A stranger who saw the transaction asked Campbell if he always were that soft a touch.

"Nothing soft about it," the banker replied with a drawl. "If it's collateral you're wondering about, I've got the best in the world. Uncle Jim's character is gilt-edged. He may be poor and uneducated, but he's a fine, honorable industrious citizen." Campbell wagged a finger. "If he lives, he'll pay back. If he dies, he'll have left orders with his family to pay. Of course, I could have taken a chattel mortgage on his team of mules. But if I'd done that and Uncle Jim dies, why, mister, this bank would have to feed the mules."

Will Campbell heads one of the most spectacularly successful small-town banks in America and has definite ideas about sound and unsound practice. He doesn't consider it wise, for example, to lock the bank door at closing time.

"Our farm customers come a long way for their afternoon in town and they don't like to be hurried. It's only friendly to stay open as long as they need us. And it's good business, too. No bank in the world is any stronger than its friends."

Campbell's bank operates in Forrest City, seat of St. Francis County on U. S. Highway 70 between Little Rock and Memphis. It's an old town and was first called "Opportunity" by its hopeful founders; later its name was changed to honor General Nathan Bedford Forrest, who

built the first railroad through those parts. Its people, 52 percent Negro, congregate on sunny afternoons under the wooden awnings in front of its stores, which sell both fancy cosmetics and old-fashioned mule collars.

Forrest City claims a population of 6,500; it makes its living doing business with the farmers in the surrounding countryside. Four banks serve the county's 37,000 people. Campbell's is the largest; its 8,000 depositors entrust it with more than \$7,000,000 of their money. Few country banks anywhere can approach that record.

In the 36 years Campbell has served, first as cashier, now as president, his bank has never foreclosed a single mortgage. Not one!

"Never had to," he says quietly. "Sure, sometimes people are pretty slow. But we manage to carry them along, and it hasn't hurt us any. We just don't believe in taking a man's property away from him when he's trying. We've operated that way for a long time, and we've got a good surplus and make money every year—including right through the depression. And we've never missed paying our stockholders their dividend."

"We figure that when a man has run into hard luck and can't meet his payments on time, that's when he really needs his banker's help. We make a practice of helping such people if they're trying to help themselves."

CAMPBELL'S bank, like Forrest City, has its roots deep in the Arkansas soil. A range of low hills called Crowley's Ridge cuts across the county, north to south, separating the silt and loam delta lands on the east from the flat, brown western farms. For 80 years farmers in the bottom lands have been dredging the fertility out of the soil. When Will Campbell took over the bank the cotton crops already had begun to dwindle.

In some parts of the county values dropped to \$20 an acre. This worried Campbell; he called on experts from state and national departments of agriculture for advice, read everything he could find about soil erosion. The big gullies, the sickly crops, the denuded slopes, the growing apathy

of the people, convinced him that it was up to the bank to do something to protect the community and itself.

Campbell had been born on a farm on the ridge and remembered the big peaches that grew in the farmyard when he was a boy. They had a special sweetness and the trees always were heavily laden. So he took horticultural experts out to look at the ridge, had the soil tested, studied the air currents which slipped in and out among the hills and which are protection against late frosts.

"Let's grow some peaches," he suggested to the hill farmers. "Years when the cotton price is down or the yield is short, we'll have peaches to fall back on. Our bank will lend money to any enterprising farmer to put in an orchard."

A FEEDER branch of the Missouri Pacific railroad angles across the county, and the railroad joined him in his plan, furnishing the first young trees. One Sunday morning 25 years ago, before attending church, Campbell distributed the trees to farmers who drove into town; with them he distributed all the information he'd been able to gather on peach culture.

Small orchards began to dot the slopes of Crowley's Ridge, set out scientifically to take advantage of sun, wind and drainage. Farmers teamed up on sprayers and other needed equipment, and Campbell's bank let them have money to finance their ventures on long-term loans.

Many of those early orchards have paid for themselves several times over, and vast new acreages of peach trees march up and down the slopes. Last July the orchards produced 150,000 bushels of peaches to sell in Memphis, Kansas City and Little Rock—a cash crop worth nearly \$450,000.

Peaches are only one of the remedies Campbell has prescribed for the tired soil—and for the prosperity of the community and the bank. He is a familiar figure out in the farmlands, marching up and down the county with mud on his boots and a vision in his eye, and in his quiet slow-talking voice the fervor of an evangelist. He talks about the good earth, the precious, thinly spread heritage which reckless generations all but lost. The farmers listen and throughout the county are laboring to preserve the soil that's left and to bring it back to its old fertility.

The gullies which had begun to wrinkle the face of the old land are disappearing. Cover crops of lespedeza and vetch are pumping fertility back into the land. Farms that a few years ago produced a scant quarter-bale of cotton to an acre are yielding a full bale once more.

WITH farmers who do not take advantage of modern methods, Campbell is adamant. "I'll not let you have a penny for cotton on that 40," he will say. "Give it a rest. Put on a cover crop. Tear out the old fence ridges and drain it right. I'll advance the money you need for that; and when you've built up good land, I'll lend you the money for a crop."

Some five miles north of town, half a dozen landowners were being flooded out each year by waters rushing down from the hills. The county agent and the federal soil conservation expert agreed that it would require a big ditch and many smaller laterals to safeguard the land. And that would cost money.

"But not as much as it would cost if all that top-soil washes away," Campbell replied. He offered to put up the cash for the job. The six farmers banded together, contracted for bulldozers and power shovels, trucks and mules, and went to work. They labored several months, scooping

out the big ditch and seeding and sodding its slopes, slicing laterals to feed it. Before they were done, their land—which had threatened to waste away—once more was worth \$100 an acre, capable of raising cotton worth \$175 on each acre planted.

"Lending money for a job like this is good banking practice," Campbell says. "The whole county benefits."

I tramped the broad brown fields of St. Francis County last March while Negro and white farmers were breaking their land for this season's crop, and I heard them talk of "Mister Will." "If it wasn't for him," they said, "we'd all be busted flat."

Will Campbell's evangelism has struck fire to the hearts of his neighbors. They preach soil conservation and crop rotation to any stranger who wanders into their fields. They boast about the fruit and vegetables they raise in ever-increasing quantities, about corn and peanuts and soy beans and sweet potatoes.

More than two-thirds of the county's 320,000 acres of farmlands are planted in crops, a high percentage for that section of the Middle South. Last year the crop, including fruits and vegetables, cotton and rice and corn, beef and dairy cattle and hay, topped \$12,000,000. All over the county, farmers with sweat on their faces are anxious to give Will Campbell credit for his share in their phenomenal yield.

YOU don't see many old scrub cows in St. Francis County today. Instead, growing herds of blooded Guernseys and other good producers are taking their places. A census last spring showed 17,000 head of cattle in the county.

West of Forrest City farmers have to drive wells only 25 feet to reach plentiful water. The land is flat, suitable for rice paddies. Campbell walked through muddy fields and talked about the profits to be made in rice—and offered to lend money for wells and pumps and irrigation systems.

The farmers borrowed and turned part of their cornfields into rice. They worked the remaining corn land scientifically and managed to increase the yield on reduced acreage so that their crop still is worth an annual \$3,500,000. Besides, they now grow \$2,000,000 worth of rice.

(CONTINUED ON PAGE 83)

At a meeting some months ago in Forrest City during a soil conservation tour, the story of Mr. Campbell's vision in assisting V. O. Turner to rehabilitate his 320-acre farm on Crowley's Terrace, Eastern Arkansas, was used as an example of how proper soil management affects the income of farmers, the value of land and the over-all economy of a rural community. The tour was sponsored by the Federal Reserve Bank of St. Louis in cooperation with the Arkansas Bankers Association and the State College of Agriculture. Active participants in the tour included, left to right, E. C. Robertson, president, First National Bank of Marianna; Chester C. Davis, president, Federal Reserve Bank of St. Louis; W. B. Pollard, manager, Memphis Branch, Federal Reserve Bank; and Mr. Campbell



# Applying the Brakes to Farm Land Prices

In approving the resolution adopted at the farm land price conference held in Washington last month, C. W. Bailey, president of the American Bankers Association, reaffirmed the Association's adherence to a program initiated in 1941 by the Agricultural Commission to study farm land prices.

The conference was called by Secretary of Agriculture Clinton P. Anderson at the request of President Truman. In addition to the banks, insurance companies, government farm credit agencies, and farm organizations were represented at the conference and pledged their cooperation in discouraging "borrowing to speculate in farm land or borrowing to buy land at prices which are not justified by long-term income prospects."

Since the inception of its program, Mr. Bailey told the conference, the Agricultural Commission has made periodic reports to the banks on the upward trend of farm land prices, so that they, in turn, might encourage their customers to maintain a safe financial position and thereby forestall a repetition of Post-World War I inflation.

"Factors, other than credit, have brought about the increase in farm land prices," said Mr. Bailey. He enumerated these factors as:

(1) Sharply higher income arising out of increased demand for farm products, increased production and incentive payments made by the federal government, capitalized at steadily lower interest rates; (2) direct government payment to farmers under soil conservation and other programs; (3) availability of price supports for many farm products; (4) foreign relief, gifts and loans to purchase food in the United States for export; and (5) establishment of a generally lower level of interest rates incident to war financing which have affected the basis for the capitalizing of farm returns.

LEGISLATIVE proposals now before Congress to increase the Federal Land Bank loan ratio to 75 percent will bring more farm buyers into the market, increase the competition for farms, and thus push already high farm land prices even higher, Mr. Bailey said.

"We queried the state banking commissioners of the 48 states and have heard from all of them," he said. "With only three exceptions they do not see any evidence to indicate that the banks under their supervision are making inflationary loans on farm real estate. A few instances were cited of such loans in these three states. Only one state out of the 48 found any inflationary trend in loans."

President Bailey quoted Deputy Comptroller of the Currency J. L. Robertson as stating in a recent letter to the A.B.A. that "analysis of reports of examinations of national banks, with special emphasis upon recent ones, fails to disclose any evidence that national bank lending for farm land acquisition has been overly generous in the light of prevailing values and statutory loan limitations. There have been, of course, exceptional and rare instances in which a bank has been unduly liberal in financing the acquisition of farm land, but the aggregate of those transactions is so small as to be considered insignificant in viewing the nationwide movement of farm land prices." Talks with FDIC officials revealed, Mr. Bailey said, that their examiners do

## A.B.A. Will Continue Its Land Price Crusade

*"The members of the American Bankers Association are keenly anxious to share in any practical plan which is designed to avoid any unwarranted use of credit for the financing of farm land purchases at inflated prices," President Bailey told the farm land price conference.*

*"It will be the purpose of the Association to continue its studies of farm land price trends, and to keep its members informed about them in order that their influence may be exerted in every community to keep farm mortgage credit on a reasonable basis and thereby avoid further inflation of farm land prices through extension of credit or otherwise."*

*"Likewise the Association will be pleased to join hands with other organizations or interested parties in seeking the attainment of this goal."*

not report evidence of inflationary farm real estate loans.

"National banks and most state banks," he said, "operate under limitations as to the volume of farm real estate loans which they may hold in relation to their volume of time or savings deposits.

"The volume of farm real estate loans held by all insured banks at the end of 1946 represented only 2.1 percent of the time deposits held by such banks. At the beginning of the recent war period (December 31, 1939) farm real estate loans were equal to 3.7 percent of the time deposits of such banks. In 1934 farm real estate loans were 4.9 percent of time deposits. Strictly comparable data are not available for the peak of the 1920 farm land price inflation, but it is estimated that the farm real estate loans held by all commercial banks at that time represented 11 percent of the time deposits in all commercial banks.

"Thus when considered in relation to the level of time deposits held by banks, the present volume of farm mortgage loans is only 20 percent of the 1920 level."

President Bailey gave the relation of the volume of farm real estate loans to time deposits in the various agricultural regions for December 31, 1946 as:

Region	Percent
New England . . . . .	1.03
Middle Atlantic . . . . .	.07
East North Central . . . . .	2.3
West North Central . . . . .	5.2
West South Central . . . . .	5.4
South Atlantic . . . . .	3.5
East South Central . . . . .	7.6
Mountain . . . . .	2.7
Pacific Coast . . . . .	1.2

"We recognize the fact that some non-real estate loans to farmers are a real mortgage potential if farm prices should decline precipitately," Mr. Bailey told the conference. "Although such loans are only one-third of the amount of similar loans held by banks immediately following World War I, they have increased by 25 percent during the past year. The Association will continue to urge its members to extend farm credit only in those cases where the facts show that the loans can be paid or serviced from current income."

# A.B.A. Suggestions for Sound Agriculture

SIX suggested steps to be taken by the Government to strengthen the credit structure of the country to aid and support a sound long-range agricultural program were presented to the Committee on Agriculture of the House of Representatives last month by C. W. Bailey, president of the American Bankers Association, and John N. Thomson, chairman of the Subcommittee on Agricultural Credit of the Committee on Federal Legislation.

The A.B.A.'s statement to the committee:

(1) The elimination of direct government lending, except possibly disaster loans, should be made a goal to be attained as rapidly as practicable. Such social credit should be resorted to only in the direst emergencies. The Farmers Home Administration Act, if properly administered, can be of assistance to worthy individuals who perhaps because of circumstances beyond their control are presently unable to obtain credit from other sources. There is, however, the danger of misuse of the lending powers conferred by this act.

. . . We believe that an aim of any long-range agricultural program should be to improve the economic condition of all worthy and competent farmers to the end that government can withdraw entirely from the direct agricultural lending field. Also governmental guaranty or insurance devices should not be used to encourage private lenders to make these marginal type loans.

(2) So long as the Government undertakes to extend credit directly to farmers, such activities should be centered in the Department of Agriculture where it is today. Governmental activities of this character should not be placed in a separate independent agency, particularly one which would also supervise and regulate the activities of cooperative lending institutions.

(3) The cooperative lending institutions in the Farm Credit Administration, which, though sponsored by government, are intended to be farmer-owned and farmer-operated non-governmental institutions should be taken out of the Department of Agriculture and placed under a separate independent agency. These institutions should be entitled to have their own supervisory and regulatory body which, though responsible to the President and Congress, would be less subject to political domination and control than as a subordinate division of an executive department of the Government.

(4) If there is to be a strong agricultural credit system in this country to support a long-range agricultural program no one segment of such system should be favored by government over any other segment. Yet so long as the cooperative credit institutions enjoy government subsidies in the

President Bailey listens closely while Chairman Thomson testifies before House Committee on Agriculture

form of free government contributions to capital they are given a competitive advantage over other private lenders who if they ever had the use of any capital funds provided by the Government, had to pay for the use of such capital.

Furthermore, the income made available to the cooperative credit institutions from the investment of such free government capital too often is used to absorb increased operating expenses resulting from inefficient lending operations, poor management, or excessive overhead. This tends to weaken the cooperative credit system and adversely affects the entire agricultural credit structure of the country.

(5) The present set-up of the Farm Credit Administration involves an overlapping and duplication of functions. It should be simplified by the elimination of the Bank for Cooperatives and the Production Credit Corporations. In this way it should be possible to bring about an overall reduction in personnel making a substantial savings in the current costs of operation of the system. Also it would make possible the return to the Treasury of government capital now in these institutions which should be used in the retirement of the government debt.

(6) The remaining government capital in the Production Credit associations and the Federal Land banks should be retired as rapidly as practicable. Until such retirement is completed, PCA's and FLB's should be required to pay dividends or interest to the Treasury on their outstanding government-owned capital stock at a rate equal to the cost of funds to the Treasury. These PCA's and FLB's should similarly pay dividends or interest at such rate on any new subscriptions to their capital stock that might be made by the Government in the future. All present revolving funds should be abolished and all repayments of government capital in these PCA's and FLB's heretofore or hereafter made should be returned to the Treasury as miscellaneous receipts.

If the foregoing suggestions for the elimination of the Bank for Cooperatives and the Production Credit Corporations and the elimination of all revolving funds are carried out the total amount of funds that could be returned to the Treasury as miscellaneous receipts and become available for debt retirement would be as follows:

Banks for Cooperatives (Entire Government Owned Capital and Surplus) . . . . .	\$213,321,388
Production Credit System	
Capital of Production Credit Corps. . . . .	68,740,255
Revolving Fund . . . . .	18,750,000
Federal Land Banks	
From St. Paul . . . . .	76,882,258
Revolving Fund . . . . .	237,117,742
Total . . . . .	\$614,811,643

We believe that these steps which we have recommended should not only assure a strong agricultural credit system but also strengthen the economy of the country generally, both of which are needed if a long-range agricultural program is to be carried out successfully. We would urge this committee however to make a thorough investigation of the government sponsored cooperative credit agencies to determine what further improvements could be made in their operations to place them on a sound and businesslike basis.



# 1,000 Banker-Farmer Meetings

ARMED with the American Bankers Association's manual, *What Bankers Can Do About Soil Conservation*, county key bankers are conducting a systematic educational campaign to arouse other bankers and the public generally to the need for halting the present alarming wastage of the country's most essential natural resource—the soil. At least 1,000 banker-farmer meetings will be held throughout the nation during the present year.

The soil erosion problem and its solution were thoroughly studied over a period of years by the A.B.A.'s Agricultural Commission before producing this manual. This study included the screening of reams of material on the subject and the selection of data that would give bankers the answers to their questions on this problem.

In giving the bankers the information they need, the Commission answered the questions of other interested groups. The manual not only includes information on extent of erosion, its causes, effective preventive and remedial methods to be taken by farmers, but it tells bankers what they can and should do—and how to do it.

In 40 states the state bankers associations have designated soil conservation the number one project of their agricultural committees and it also tops the Agricultural Commission's 1947 12-point country bank program.

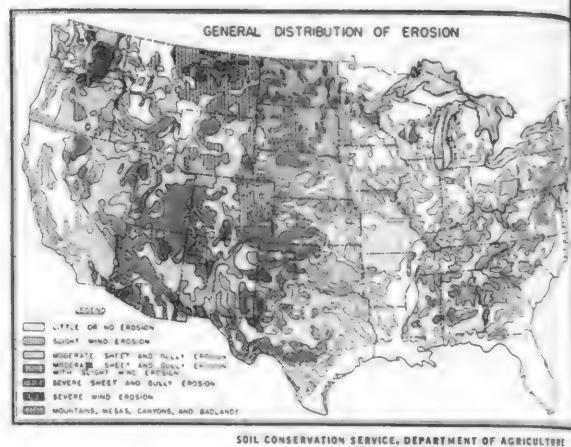
County key bankers, of which there are about 3,000, are chosen by the state associations to spearhead agricultural betterment at the grass roots level. Because of their acknowledged community leadership, they were selected by the Agricultural Commission to place the new manual in the hands of other bankers interested in land preservation and restoration. The manual also has been sent to Department of Agriculture Soil Conservation Service and state agricultural college Extension Service representatives.

THE pattern of the banker-farmer meetings at which the manual was used as the nucleus of the program varied with each community and sponsoring group. There were soil clinics, county fairs, barbecues, banquets, luncheons, farm inspection tours, etc. Sponsors included individual banks, groups of banks, bankers associations, farm bureaus, the Extension Service and Soil Conservation Service—working individually and collectively.

Extracts from a few typical reports from county key bankers will serve to illustrate how they and other bankers throughout the country are participating in soil conservation meetings to further the cause of agricultural rehabilitation.

At a soil clinic in OKLAHOMA arranged by the Conners State College, over 1,000 heard R. B. Patton, president, American Exchange Bank, Henryetta, tell about the extent of erosion and its cure. Following his talk the program included a field demonstration of pasture liming, setting of bermuda pastures, terracing, irrigation and inspection of a variety of crop test plots.

In Marion County, ILLINOIS, C. R. Alderson, key banker and cashier, The First National Bank, Kimmundy, recently attended a meeting of the soil conservation board and joined with it in arranging a meeting with the Marion County Bankers Federation. At this meeting the Commission's new soil manual was discussed and plans were made for increasing the awareness of farmers to the dangers of erosion.



A 1,000-acre farm near Corsicana, TEXAS, was the locale for a barbecue and soil conservation meeting, attended by 85 farmers, soil conservationists and bankers, sponsored by N. Suttle Roberts, president, The State National Bank, Corsicana, and the state AAA committeeman. The program included an inspection of the farm to see at first-hand soil conservation practices and the showing of an erosion prevention movie.

Six banks of Wynne, Forrest City, and Marianna, ARKANSAS, were hosts at a barbecue to farmers in their communities who have done superior conservation work in cooperation with the local soil conservation district. Achievement awards were made to farmers with meritorious conservation records. This meeting was called by W. W. Campbell, president, National Bank of Eastern Arkansas, Forrest City.

At a meeting in Erie, Kansas, called by the county farm bureau, 250 farmers were shown the movie, "This is our Land" and saw five of their members receive conservation awards from Key Banker Sidney S. Linscott.

Machinery for all types of preventive and remedial purposes was shown at a tri-county meeting on a farm near West Salem, WISCONSIN, called by the county agent and assisted by B. A. Mau, cashier, Union State Bank. Farmers were shown how to work slopes to avoid erosion and how to renovate pasture land.

"The hundreds of reports we receive from county key bankers of successful banker-farmer meetings are most heartening," said Charles T. O'Neill, vice-president of the National Bank and Trust Company of Charlottesville, Virginia, and chairman of the A.B.A.'s Agricultural Commission. "But these meetings do not of themselves constitute the sum and substance of the Association's agricultural program. Important as they are—and they are very important—with systematic follow-through between the meetings by county key bankers we cannot reach our goal. We must stimulate farmers and others to bend every effort to prevent further erosion and to restore to productivity the millions of acres of land already entirely depleted or partially depleted.

"Our new manual—'What Bankers Can Do About Soil Erosion'—can be a potent weapon against the destructive forces of erosion. The Commission invites every banker to arm himself with a copy."

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# News for Country Bankers

Merchandising . . . Bank Operations . . . Legislation . . . Better Farming

*This selection of news was compiled by MARY B. LEACH of BANKING's editorial staff.*

## 75% Land Bank Bill Shelved

THE American Bankers Association was represented at hearings on the Capper-Hope 75 Percent Land Bank Bill before the Senate Committee on Agriculture by John H. Crocker, vice-president of the Citizens National Bank of Decatur, Illinois.

"Preservation of sound farm mortgage farm credit system is essential if the private banking system is not to be jeopardized," said Mr. Crocker. The A.B.A.'s position was summarized in a five-point statement.

At the conclusion of the hearings, the Senate committee quietly shelved the bill on the grounds that 75 percent loans are unnecessary.

## New Farm Tenancy Bill

A new bill known as the farm tenancy bill (H. R. 3773) has been offered in the House of Representatives by Congressman Pace of Georgia. It is aimed at inducing country bankers to take on 90 percent 40-year farm mortgages made by Farmers' Home Administration.

The new rate will be 4 percent to the farmer instead of 3½ percent, and 3 percent to the banker instead of 2½ percent, as formerly.

The bill also provides for the purchase of farm tenant loans by the Secretary of Agriculture after seven years. The present act provides that the mortgagor would have to hold them for a full term of 40 years unless there was default in the meantime, when the Secretary would pay the mortgagor in full.

"If this bill passes, the loans that could be made under it would still be objectionable, particularly if country banks take them on just for the guarantee of the U. S. Government," says C. W. Bailey, president of the American Bankers Association. "Every loan should stand on its own and should not have to depend upon the Government to make it good."

## Farm Relations Department

Another bank, the First National Bank of Princeton, Kentucky, has

joined the growing list of banks setting up farm relations departments with full time managers in charge. Edwin Lamb, a dirt farmer, a graduate of the University of Kentucky, and for four years a director of First National, has been elected vice-president of the bank and will manage its farm program. Mr. Lamb is vice-president of the Farm Bureau and is a civic leader in Princeton.

"Edwin is no 'farm theorist,'" said President Henry Senison in announcing the appointment and the creation of the farm relations department. "He is interested in soil conservation and is just now establishing conservation practices in a practical manner on his father's farm."

"We have no intention of being paternalistic, dictatorial or theoretical," said Mr. Senison. "Our aim is to make our bank a constructive influence in the field of agriculture in our trade territory. We hope to bring about a better knowledge of the farmers' requirements by the officers of this bank—to give the farmers a better acquaintance of the bank's services, and to show them the advantages of an informed and sympathetic bank connection."

## Oregon Bankers Hold Agricultural Conference

"Keeping Oregon Agriculture Financially Sound" was the theme of the one-day agricultural conference sponsored by the agricultural committee of the

Dinner session of Oregon Bankers Association's agricultural conference at Oregon State College, Corvallis. At speakers' table, left center, left to right, Chairman Banks; Dr. A. L. Strand, president, Oregon State College; C. B. Stephenson, vice-president, First National Bank, Portland; Mr. Tapp; Mr. Gauntlet; Mr. Schoenfeld, and Mr. Christensen

Oregon Bankers Association in cooperation with the School of Agriculture and held during May at Oregon State College, Corvallis. The conference was attended by 80 bankers from all sections of the state.

Plans call for including forestry, Oregon's second industry, in the curriculum of future conferences.

Jesse W. Tapp, vice-president, Bank of America, San Francisco, and William A. Schoenfeld, dean and director of agriculture, discussed agricultural finance in a radio program during a noon farm hour.

The main conference program was devoted to an analysis of Oregon agriculture; trends in prices, land values, supply and demand; maintenance and conservation of the soil; farm markets and marketing problems; and ways and means of promoting better agriculture.

William C. Christensen, member, American Bankers Association's Agricultural Commission and president of the Commercial National Bank, Hillsboro, summed up the conference and presented the program of the Agricultural Commission.

The bankers visited the farm and laboratory of the Oregon Dairy Breeders Association, conducted under guidance of college technicians.

## Save Soil Bench Signs

"Save the Soil" signs on benches at bus stops in Dothan, Alabama, aroused



the curiosity of Leroy Horn, of the Soil Conservation Service, who, naturally, was curious about their origin.

On tracking down the company making the signs, Mr. Horn learned that the Junior Chamber of Commerce of Dothan had sponsored the bus stop bench idea and that Wallace D. Malone, president of the First National Bank of Dothan, had had the "Save the Soil" signs painted on them.

The woman running the bench shop told Mr. Horn that that morning a lady from a missionary group had called and asked her in a rather critical tone if she did not know how to spell "Soul." She apologized after learning what the slogan meant.

Mr. Horn went in search of Mr. Malone, who, he learned, is a member of the Georgia Legislature, was the 1944 president of the Georgia Bankers Association, and is a former chairman of the association's agriculture committee. His interest in soil conservation dates from a visit to a farm in southeastern Alabama with a Soil Conservation Service technician. There he saw such alarming conditions that he decided it was time to do something about saving the soil. A subsequent trip over Alabama by air confirmed this conviction.

While Mr. Malone was president of the Alabama Bankers Association, the association, in cooperation with the farmer-supervisors of the Wiregrass Soil Conservation District, sponsored a farmers' meeting in Houston County, at which certificates of merit were awarded to seven farmers who had done outstanding soil conservation jobs on their lands. In 1945, when merit certificates were awarded following a field tour, the First National Bank was host at a barbecue supper. Subsequently the bank has sent out calendars which publicize the importance of soil conservation.

The bank is installing a clock in front of its building with this inscription on both of its faces: "If We Lose the Soil We Lose All."

#### Georgia Bank Service to Agriculture; Farm Youth Awards

The Georgia bank rendering the most distinguished service to agriculture during 1947 will receive the Robert Strickland Memorial Award from the Trust Company of Georgia. This bank, in turn, will have the privilege of selecting the boy or girl in its area most deserving of the Trust Company's \$1,000 scholarship for agricultural study at any college of agriculture in the University System of Georgia. These awards were announced by President John A. Sibley



The First National Bank of Dothan, Alabama, placed "Save the Soil" on bus stop seats. This idea was sponsored cooperatively with the Junior Chamber of Commerce, while other business houses were using their firm names

at the recent Georgia Bankers Association convention in Savannah.

(The late Mr. Strickland was formerly president of the Trust Company of Georgia.)

The winning bank will be chosen by a committee of agricultural authorities. All banks in the state, with the exception of Atlanta banks and their affiliates or branches, will be eligible for the distinguished service to agriculture award.

The student will be selected from members of the 4-H Club, Future Farmers of America, or Future Homemakers of America.

First presentation of the awards will be made for 1947 at the Georgia Bankers Association convention to be held in the Spring of 1948. Hereafter these awards will be made on an annual basis.

The Trust Company of Georgia and its affiliate banks in Savannah, Augusta, Macon, Columbus and Rome have taken an active leadership in the development and progress of agriculture and its related industries.

#### North Dakota Soil-Moisture Contest

The North Dakota Bankers Association is cooperating for the second year in a soil and moisture service achievement program along with the South Dakota State College, the Soil Conservation Service, and other state organizations. This program is designed to arouse greater general interest and activity in conserving the soil and moisture.

Farmers living within soil conservation districts may enter the farms they own or operate in their district contests. Three winners are chosen from each district and they, in turn, will participate in the competition between districts.

Districts that have won awards previously may enter the contest but

farms that have hitherto won state awards for their districts may not enter again for five years.

Farmers living outside of a soil conservation district may enter the farms they own or operate by sending entries to their county agents' offices, or directly to the Greater South Dakota Association. Individuals or organizations may enter a farm on behalf of an owner or operator, with his consent.

Achievement certificates will be awarded to the individual farmers at public functions by county agents or soil conservation secretaries. Prize money and plaques will be awarded to the five winning soil conservation districts at a state achievement meeting.

#### Bank Agricultural Credit Facilities Featured in Ad

The facilities of the agricultural loan department of the Oneida National Bank and Trust Company of Utica, New York, were featured in a newspaper advertisement illustrated by a barnyard scene showing Robert J. Purdy, department manager, visiting with a farm customer.

The copy reminds customers that Mr. Purdy calls on the farmers continuously at their farms to help them plan the financing of their farm programs and suggests that all a customer has to do to use the bank's agricultural loan service is to call any Oneida National office and leave a request for an appointment. "Mr. Purdy will be glad to visit you at your farm (without obligation to you)," said the advertisement, "and discuss your farm financing program."

#### Soil and Rainfall Conservation Folder

The banks of the Lord Fairfax Soil Conservation District in Virginia have published a four-page folder emphasizing the need of soil and rainfall conservation, which, according to C. E. Koontz, Department of Agriculture district conservationist, "is proving most valuable throughout the district."

The subject material included in the folder falls under these general headings: Correct land use; vegetative land cover; conservation patterns; soil and rainfall; and soil conservation practice. Under the latter, the traditional pattern of destruction and the art and science of conservation are emphasized by photographs contrasting erosion and conservation.

The local newspaper has helped publicize the program of the Lord Fairfax  
(CONTINUED ON PAGE 76)

# RECORDAK

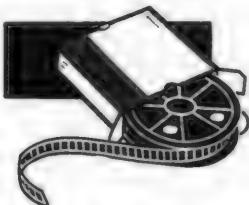


IT MEANS A LOT TO BANKERS to know that Recordak—the company that pioneered the application of photography to banking systems—has Eastman Kodak Company behind it.

It means that Recordak equipment—the reproducing and viewing units—is right photographically in every detail. For it's made by Kodak. And as the outstanding manufacturer of photographic apparatus and materials, Kodak not only *knows cameras,*

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duced both the equipment and the film to work together as a unit...for just that purpose.

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**RECORDAK**  
(Subsidiary of Eastman Kodak Company)

**originator of modern microfilming  
—and its application to banking systems**

## Washington

(CONTINUED FROM PAGE 31)

per worker increases, the cost of building materials may be expected to fall. While there is expected to be some decline in material costs, the cost of completed houses is not expected to take any sharp drop for labor costs in building a house on the site are still high and productivity must increase sharply before there is any material price relief in that sector.

All-in-all, including commercial construction as well as housing, it is expected in informed circles here that 1947 will be a "good" year in building, measured by prewar standards.

Housing construction is generally expected to fall a little below expectations held by the industry earlier in the year, but with the congressional drive against government building controls, commercial and industrial construction is expected to pick up from now on.

While one branch of the Government is attempting to get banks to go slow on lending in one field—the Department of Agriculture on farm mortgage lending—two other branches are trying to push the banks into increased lending in another field. Both the Federal Reserve Board and the Reconstruction Finance Corporation are urging banks to make more and more term loans to small business.

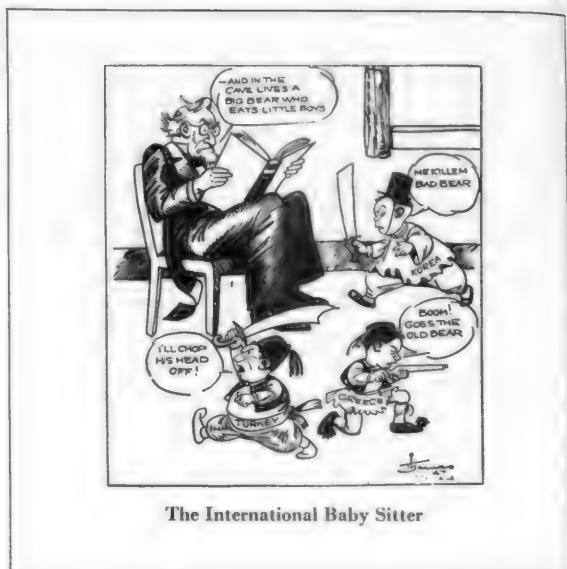
This drive was inherent in the RFC's effort to obtain from Congress a continuation of its statutory existence. It was also behind the Federal Reserve Board's proposal to obtain authority to guarantee commercial bank loans to small business. Both proposals are predicated upon the assumption that local banks shall make loans to their customers and that, in the case of the RFC, 75 percent of the risk would be shared by the Government, and, in the case of the Reserve Board plan, up to 90 percent of the risk would be underwritten by the Federal Reserve banks.

"The basic need of the smaller, independently-owned business enterprises is for long-term funds," Chairman Eccles stated to the Senate Banking Committee in bidding for approval of the FR guarantee program.

At a later point he said that the Reserve bank guarantee "is intended and designed primarily to help the smaller enterprises." Larger ones, he said, can usually raise the capital.

### Well Worn Claim

RFC officials also never tire of saying that commercial banks *can't* make term loans to small business, that they are prevented from doing so by regulations and that the RFC,



The International Baby Sitter

in the opinion of its officials, fills in a gap in credit needs by sharing the risk with local banks.

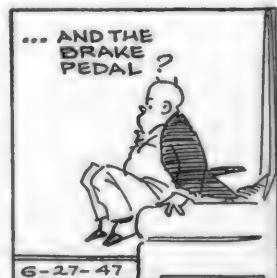
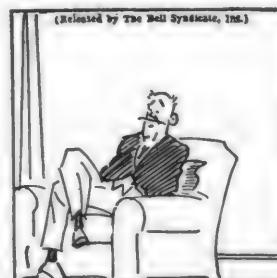
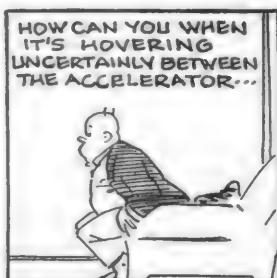
Neither of these agencies, however, in their appearances before Congressional committees, acts as if it were aware of the study of term loans made by the staff of the Federal Reserve Board, and published in the *Federal Reserve Bulletin*.

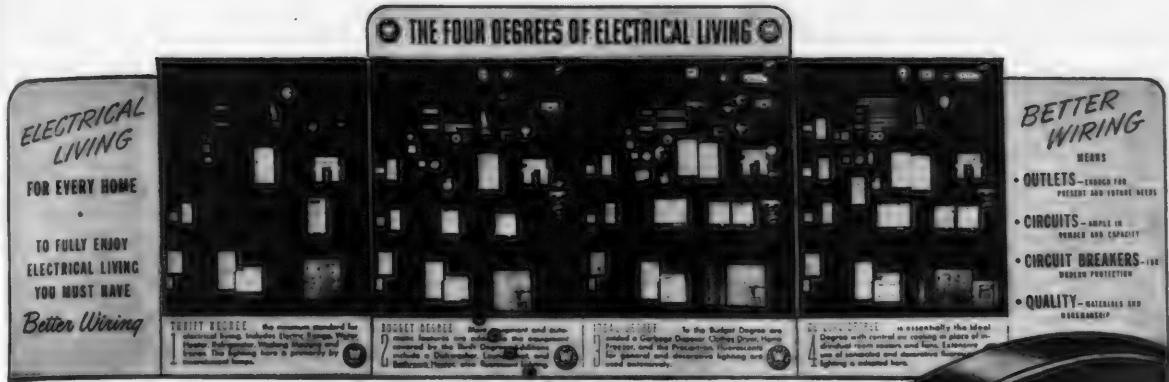
Knowing that the rising trend of term loans is meeting the needs which officials say must be taken care of, spokesmen for lending banks opposed the continuance of government credit guarantees in any form. They point out that guarantees were developed to combat deflation, but now the country is in a period of prosperity.

Congressional restrictions upon government corporations only began this year, with curtailment of their funds and functions here and there. One of the principal objectives of the House Banking Committee study of overall credit problems, as announced by Chairman Wolcott, is to try to fit together this intricate picture. "I want to know just what is the contingent liability of the government," he explained.

During the recess of Congress the staff of the committee will study this subject. Some legislation about it is one of the surest things to expect next year.

### POP—The Problem





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Modern electrical systems in homes provide "hidden values" . . . values that contribute toward sounder investments by retarding premature obsolescence.

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## BUILDING for the Future

# Plain Talk on Housing Costs

The following material was written by Howard B. Smith, director of the Department of Real Estate and Mortgage Finance, American Bankers Association, and later used by him as the basis for an address before the Savings Management Conference of the Massachusetts Savings Banks Association at Mt. Holyoke College.

IT is time for plain talk about home building costs. As the leading suppliers of mortgage credit, banks are vitally concerned with these costs.

Financing is the one element in the housing picture that has not increased in cost—in fact, the trend of financing costs has been steadily downward for the past 12 years. This reduction is not accounted for solely by reduction in rates. The terms of loans have been lengthened, the ratio of amount loaned to property value has increased, thus obviating the necessity for high cost secondary financing, and lenders are gladly cooperating with borrowers by accepting monthly budget payments which include not only interest and principal but taxes and other recurring obligations such as hazard insurance.

During the past year the amount of private capital loaned for home financing reached an all-time high of over \$10 billion. The reserves available for future lending, especially those held by banks, are adequate to take care of any foreseeable demand.

THE most unsound policy our Government could embark upon would be to subsidize costs at their present level through additional credit guarantees or direct loans. Subsidies provide no incentive for cost reduction; rather they add fuel to the flames of inflation. The higher the costs, the greater the subsidy required; the greater the subsidy the higher costs go.

With the Government in effect doing the building, there would be no place in the picture for home builders, organized labor would have lost its bargaining power, and materials producers would have only one customer. Since a government, loaded down with the debt burden of the United States, would be forced to build on an austerity basis, barrack type quarters would be a necessity.

This picture may appear to be overdrawn, but many people maintain it could happen here. The time in which something can be done to prevent its happening is fast running out. The performance so far in 1947 has not been encouraging. The challenge is to all segments of the great home building industry—architects, labor, builders, subcontractors, retailers, distributors, manufacturers, and pre-

fabricators, as well as lenders. The few remaining government building controls, with the exception of rent ceilings on new construction, cannot by any stretch of the imagination be alleged to be restrictive; in fact, they have not been since December 14, 1946. Materials production is accelerating rapidly. The acute shortages are fast disappearing. Then why is the industry not producing at full capacity?

The reason is that the housing that is being produced is priced at a level which puts it out of reach of the great majority of families in this country.

The present situation calls for united action by the whole building industry in finding a way to produce a house that American families that aspire to home ownership can afford.

BUILDING labor should realize that its long-range interests are best served by volume production, and that volume production cannot be achieved unless production per man hour increases. Labor's greatest fear is job insecurity. The one factor that will make for building trades job security is increased production, just as it is the one formula for maintaining present wage rates.

Builders and subcontractors for a considerable period were operating in a market where costs were of secondary importance and where it was necessary to make ample allowances for contingencies. This period is over. Every bid must be scrutinized carefully and rejected if padded. The necessity for other than normal contingency allowances grows less day by day. A small profit margin on multiple operations means a sound building program. Large profits on a restricted output mean a bust.

Manufacturers by now can see an end to most of their material shortages and according to their own estimates will soon attain new high levels of production. This production can be maintained only if profit margins are re-examined and if distribution channels are streamlined to assure maximum efficiency in marketing.

There is no place in the picture today for archaic building codes that prohibit the use of modern materials and building techniques.

IF the inevitable price adjustment is delayed, if building trade unemployment increases, the demand on Congress to "do something" will unquestionably result in subsidies of some kind being voted. Measures to provide these subsidies are now before Congress. They have conservative majority party sponsorship. Whether they will become law depends on the performance of the private housing industry in the last six months of 1947.

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# Building News

## A.B.A. Opposes House Bill 2800

THE proposal to permit Federal Savings and Loan Associations to make unsecured improvement loans was opposed by the American Bankers Association in a statement filed with the House Committee on Banking and Currency.

The A.B.A.'s Committee on Federal Legislation of the Savings Division said it believed the proposal contained in House Bill 2800 is a departure from the natural and proper field of operations of these savings and loan associations.

"... Its language appears to be broader than its purpose," said the statement. "The bill as written would appear to permit a Federal Savings and Loan Association to make loans for any purpose which qualifies for the guaranty or insurance under the Servicemen's Readjustment Act. Loans insured under Title I of the National Housing Act are limited by the terms of that Title to property alteration, repairs, and improvements and the terms of this bill similarly limit loans other than those insured or guaranteed. However, no such limitation appears to apply to loans made by these associations which are guaranteed or insured under the Servicemen's Readjustment Act, either by the terms of this bill or the terms of that act."

"Thus, if this bill became law as now drawn, a Federal Savings and Loan Association could make loans for any of

A 20-ton crane prepares to lower the end section of the second story of a barracks building, formerly occupied by naval enlisted personnel at the Norfolk Naval Shipyard, to low-bed trailer to be hauled a mile and a half to North Truxton where the sections will be fitted out as bungalows for Negro war veterans



PRESS ASSOCIATION

the purposes for which loans may be guaranteed under the Servicemen's Readjustment Act though they be wholly unrelated to home financing. For example, such associations could make working capital loans to businesses or crop loans to farmers. This is surely going far afield from the traditional home financing functions of these institutions."

The statement maintained that the unsecured property alteration, repair or improvement loans might be justifiably made by these associations where they already hold a mortgage on the property to be altered, repaired, or improved with the proceeds of the loan.

## Banks Extending Fire Insurance Coverage

Many banks are taking advantage of extended coverage on fire insurance on real estate owned and also on real estate held as security as indemnification against loss through disasters such as the one which occurred recently in Texas City, Texas.

The two banks in Texas City carried this extended coverage insurance which includes protection against explosions, according to the *Protective Bulletin* issued by the Insurance and Protective Department of the American Bankers Association which quotes the Federal Deposit Insurance Corporation.

"Other unusual contingencies contemplated by extended coverage are windstorm, cyclone, tornado, riot, damage by aircraft, etc.," the *Bulletin* states. "In recent years, many of the larger city banks have taken extended coverage even on their own buildings, chiefly because of their exposure to serious damage by aircraft and, in some locations, explosion."

"The FDIC points out," the bulletin adds, "that the premium cost for this protection is small and that banks, particularly those located in industrial areas or in communities where unusual hazards exist, can ill afford to be without extended coverage on fire insurance."

## Fifty Veterans "Move In"

Fifty veterans in Charlotte, North Carolina, recently moved their families into new, fully equipped homes that could be sold immediately at a substantial profit. The houses had been completed in a record five months, which included time out for a strike.

In June 1946, the newly-formed Independence Post 262 of the American Legion created a non-profit housing corporation headed by five trustees. Three banker-businessmen advisors were later added.

The corporation spent six months trying to find a way to get houses for veterans living in sub-standard houses, some in converted chicken coops, and another six months in constructive, productive accomplishment.

The J. A. Jones Construction Company of Charlotte, builders of the atomic bomb plant at Oak Ridge, contracted to do the work for \$1. The veterans each put up \$100 to

buy land and the City Savings Bank financed the whole venture.

Made of fabricated parts, the houses are in five variations but all have two bedrooms, living room, dinette and a kitchen utility unit, the latter including electric range, seven-cubic-foot electric refrigerator, cabinets, sink and indirect flood lighting for work spaces. The water heater is also electric and the furnace is an oil burner.

The houses are not expected to cost over \$7,500 each and this price includes land and land development (putting in utilities and making streets).

### New Building Unit

Architects, engineers, builders and others were introduced to a new, low-cost building system recently at a special showing held at the Commodore Hotel, New York.

Production of the metal-clad, insulated curtain wall unit, although as yet only in the experimental stage, is relatively simple. The unit is essentially a sandwich type material having an exterior facing of steel, a core of an insulating material, and an interior facing of steel.

The metal parts of the unit can be made and formed with standard sheet metal-working equipment. Bonding of the insulating core involves the use of simple presses and equipment. The unit can be erected without use of concrete or other fixed material. It can be applied to the skeleton building frame.

The exhibit was sponsored by the New York Housing Trust, a privately-endowed, non-profit organization, which enabled architect William Lescaze and designer Robert Davison to undertake the research which lies behind the unit. Republic Steel and Pittsburgh Corning corporations engineered and fabricated several prototype units of the new thin wall, using stainless steel and Foamglas, and including a complete ceiling-to-ceiling section of a multi-story building.

### Chicagoland Home Show

Approximately 200 booths, representing 120 firms associated with home construction and supply, featured the Chicagoland Home Show, sponsored by the Chicago Metropolitan Home Builders Association, and held at the Coliseum. A full size \$10,000 home was given away before huge crowds on the last night of the exhibit.

Impressed by the 100,000 attendance, many exhibitors have already requested space for next year, and some suppliers, out of this year's show because of production difficulties, have indicated interest in future shows.



## Can your customers AFFORD to leave their RECEIVABLES UNINSURED?

**YOU KNOW** that a large percentage of your customers' working capital is represented by their accounts receivable. Look at their statements. Can they *afford* to leave their receivables uninsured . . . or could a jump in credit losses wipe out their profits?

**SOUND BANKING JUDGMENT** tells you that your customers' accounts receivable are important assets *at all times* . . . subject to risk *at all times* . . . should be protected *at all times*. Many banks now advise customers to carry American Credit Insurance. Some insist on this added protection in granting commercial loans . . . and the bank may now be included as a named assured without charge.

**TODAY, CREDIT LOSSES ARE RISING** . . . following the same basic pattern that appeared after World War I. No one knows how far the present trend will go. *It is time for your customers to give more attention to their credits.*

**SEND FOR FACTS ON CREDIT LOSS CONTROL.** Knowing the facts about American Credit Insurance and credit loss control may mean the difference between profit and loss for some of your customers . . . in the months and years of uncertainty that lie ahead. Write today for full information. Address: American Credit Indemnity Company of New York, Dept. 45, Baltimore 2, Md.

*J. F. M. Frazee*  
PRESIDENT

### American Credit Insurance

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of Accounts Receivable**

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### Inspection of Bank Records

THE right of an internal revenue agent to inspect bank records in the course of an income tax investigation has been confirmed by the Fifth Circuit Court of Appeals, but with modifications.

The agent is not entitled to have the bank produce all its records merely in order for him to ascertain whether or not the bank possesses records which may bear upon the investigation.

He must specify "with sufficient precision for their identification the documents desired to be inspected," and his demands must be within the scope of the statute authorizing the examination of books and records in income tax investigations (26 U.S.C.A. § 3614).

He may first obtain information as to what papers or documents are within the bank's possession by interrogating, under oath, an appropriate officer of the bank.

The courts will "readily require" the production of relevant evidence, and will afford the Government the privilege of determining which of such records it desires to use, provided they are shown to be relevant to the inquiry.

The ruling of the District Court that the guarantees of the Fourth Amendment to the Constitution against unreasonable searches and seizures cannot be invoked by the bank for customer's protection was not disturbed.

The court stated that it was "unreasonable to require a large bank" to produce all of its records dating over a six-year period merely to allow an agent to determine if any of them bore upon his investigation. It did not state whether this rule applies only to "large" banks. *First National Bank of Mobile*, 160 F.2d 532. See: BANKING, March 1947. PATON'S DIGEST, page 3517.

### Search and Seizure

A recent search and seizure opinion is of general interest, particularly in the

vigorous dissents it produced in the Supreme Court:

One Harris was suspected of violation of the Mail Fraud Statute in connection with the cashing of forged checks.

A warrant for his arrest was obtained by the FBI.

Federal agents made the arrest in Harris' four-room apartment, handcuffed him, and conducted a five-hour search of the premises in an effort to find the canceled checks.

The checks were never found, but the agents finally did come upon some draft cards hidden in the bottom of a bureau drawer.

Harris was indicted, tried and convicted of unlawful possession, concealment and alteration of the draft cards.

He appealed, claiming that the search was not conducted under authority of a search warrant and was, therefore, illegal under the Fourth Amendment. The conviction was upheld by the Supreme Court in a 5 to 4 decision.

The majority held that only "unreasonable" searches and seizures were prohibited by the Fourth Amendment. Whether or not a search is unreasonable depends upon the facts in each case. A search and seizure "incidental to" lawful arrest is permitted without a search warrant.

In this case, said the majority, the search was incidental to the arrest and was conducted "in good faith" for the purpose of locating the stolen checks. Furthermore, possession of the draft cards by Harris was illegal and constituted the commission of a crime in the presence of the arresting officers. Therefore, it was reasoned, the search and seizure was legal, the use of the draft cards in evidence legal, the indictment and conviction above reproach.

With this finding the minority, in three separate dissenting opinions, did not agree.

Said Justice Frankfurter: The decision "... goes far beyond previous decisions." It "permits rummaging throughout a house without a search

warrant on the ostensible ground of looking for the instruments of a crime for which an arrest, but only an arrest, has been authorized."

He further stated that the majority decision gives "a novel and ominous rendering to a momentous chapter in the history of Anglo-American freedom. . . . I cannot give legal sanction to what was done in this case without accepting the implications of such a decision for the future, implications which portend serious threats against precious aspects of our traditional freedom."

Justice Jackson felt that the issue resolved itself into a very simple thesis—if the FBI wishes to conduct a search let it go to the proper authorities, show good cause, and obtain a warrant.

He further stated that "... the decision certainly will be taken, in practice, as authority for a search of any home, office or other premises if a warrant can be obtained for the arrest of any occupant."

Justice Murphy felt that "... the court today has resurrected and approved, in effect, the use of the odious general warrant or writ of assistance, presumably outlawed forever from our society by the Fourth Amendment."

"In view of the readiness of zealots to ride roughshod over claims of privacy for any end that may impress them as socially desirable," he said, "we should not make inroads on the rights protected by this amendment."

Commenting upon the majority opinion that possession of the draft cards constituted a continuing offense in the presence of the arresting officers, Justice Murphy said that it "... may be a dialectical way of putting the matter, but it would not commend itself to the common understanding of men." *Harris v. United States*, 67 S. Ct. 1098.

### Fictitious Payee

A California case involves the typical situation of the dishonest employee.

(CONTINUED ON PAGE 68)



## HOW TO MAKE SURE BOOKS WILL BALANCE

A sure way to unbalance a company's books is through employee dishonesty. If your books showed a shortage, would you make a red ink entry and assume the loss? Or would you call your insurance agent, secure in the knowledge that a check covering the amount of the defalcation would quickly bring your books back into balance?

Especially today, your company vitally needs the protection of Fidelity Bonds . . . not only to make good cash losses, but also to guard against theft of merchandise, stamps and other valuable property. Make sure that your company will not have to assume such losses . . . See the U. S. F. & G. agent in your community today.

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## LEGAL PAGE—Continued

who prepared checks for his boss' signature, padded the rolls with a few extra checks drawn to the order of fictitious payees, pocketed a few other checks made out to actual persons, forged the endorsements, and lived well until he was caught.

The court held that the depositor who signed the checks, rather than his employee who prepared them, was the "maker." By signing, he "made them payable to a fictitious person," but he did not do so with knowledge that the payee was fictitious. Under the law in

effect at that time, the checks were "order" paper and his bank was obliged to pay them only to order.

Paying on a forged endorsement is not paying to order and the bank was, therefore, held liable for the amount of the checks.

The court refused to estop the depositor from bringing suit against the bank. It was held that there was no negligence in allowing an employee to prepare the checks, under the circumstances; the depositor was under no obligation to examine his canceled checks for forged endorsements, since he had a right to rely on the bank's.

inspection of endorsements before paying the checks; the forgeries were not "obvious" and were discovered only after minute examination when the depositor's suspicions had been aroused on other grounds.

Even if there were grounds for estoppel, "such action is not favored," the court said, since it would hesitate to "open wide the door to unwarranted avoidance of the rule" that a bank's liability for payment on forged endorsements is absolute in California.

However, the court refused to allow recovery on those checks which had been returned to the depositor more than a year prior to commencement of the suit. The statute of limitations, it was pointed out, runs from the time the checks are returned; not from the time the forgeries are discovered.

The recommended A.B.A. Fictitious Payee Act, adopted in California in 1945, now protects banks in similar circumstances, since it provides that checks are deemed "bearer" paper if the fictitious character of the payee was known to the employee who supplied the payee's name. *Edington v. Security—First National Bank of Los Angeles*, 179 Pac. 2d 640. PATON'S DIGEST, Forged Paper, Sections 2 and 6.

## MINIMIZING THE RISK on COMMODITY LOANS...

THE UNCERTAINTY of price trends constitutes a major problem in making commodity loans. It is, however, a problem that can be solved by intelligent use of the futures market—as insurance.

Commodities alone are subject to wide fluctuation in value—commodities protected by futures contracts, on the other hand, offer a stable platform for bank loans. Our Commodity Department is thoroughly familiar with hedging operations for this purpose and will be pleased to help you and your customers obtain this necessary protection.

Our revised booklet, "COMMODITIES", fully explains the futures market and tells how it may be made to serve you. We'll be glad to send you a copy.

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### Fictitious Payee Again

The Pennsylvania Superior Court, in another type of fictitious payee case, has found for the drawee bank.

The bank's depositor had signed a blank check, which was later stolen, filled in, made payable to a fictitious payee, "properly" endorsed, and paid by the bank upon presentation.

In holding the bank not liable, the court adopted the maxim that as between two innocent parties, the bank and the depositor, liability should be borne by the one who made the loss possible.

By signing a check in blank, the depositor had put it within the power of an unauthorized person to fill it in and cash it.

The fact that the depositor had not intended the check to be put in circulation was given little weight by the court, which held that the bank, under the circumstances, was justified in paying a check regular upon its face.

"To say that the depository shall be required to call upon the depositor to determine whether a check bearing his signature was actually delivered is neither fair nor compatible with public interest," said the court. *Weiner v. Pennsylvania Co., etc.*, 50A.2d 385. PATON'S DIGEST, page 2682, Op. 5:2. J. R. V.

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# BANKING NEWS

## State-Supervised Banks' Figures for Year 1946 Reflect Change Back to Peacetime Operations

### Assets Down, But Demand Deposits Touch Peak and Loans Increase 11.9 Percent

The 9,577 state-supervised banks in the United States during 1946 reflected the change from wartime monetary policies by reversing their upward trend in resources existing since 1937.

Total assets of the banks showed a slight decrease due principally to the withdrawal of government wartime deposits, according to the 16th annual statement of "Condition and Operation of State Banks in 1946," published by the A.B.A. State Bank Division. James C. Wilson, president of the First Bank and Trust Company, Perth Amboy, N. J., is president of the Division.

Of the state-supervised banks, 9,046 were commercial banks, loan and trust companies, private banks, stock savings banks, industrial banks and cash depositories, and 531 mutual savings banks. Their total assets as of Dec. 31 were \$83,882,380,000, a decrease of \$3,262,141,000 or a 3.7 percent decline for the year. This decrease coincides with the decline of \$3,563,920,000 in deposits, which at the end of the year stood at \$77,090,102,000. However, deposits of the U. S. Government held in the banks, including postal savings, were \$9,125,935,000 less than in 1945 and totaled only \$1,362,578,000.

#### Demand Deposits at Peak

Demand deposits reached an all-time high on Dec. 31, 1946, of \$35,627,408,000, a gain of \$2,738,680,000. Time deposits of individuals, partnerships, and corporations increased \$2,767,789,000 to \$31,860,685,000, a gain of 9.5 percent for the year. Other deposits totaled \$8,239,431,000, an increase of \$55,546,000.

On Dec. 31 loans and discounts aggregated \$18,357,059,000, an increase of \$1,951,716,000 or 11.9 percent. Of

these loans, \$13,848,587,000 were held by state commercial banks and \$4,508,472,000 were held by the mutual savings banks. Loans and discounts of all state supervised banks amounted to 21.9 percent of total assets.

The total capital funds of the state banks continued to increase and at the year end stood at \$6,264,276,000, which was \$329,281,000 or 5.5 percent above the year previous.

State commercial banks held U. S. Government securities aggregating \$33,147,222,000 at the year end, a decrease of \$6,220,733,000. However, the holdings represented 50.8 percent of the total assets.

Other security holdings by the commercial banks decreased \$25,325,000 to \$686,095,000.

#### Loans, Discounts Up 14.1%

Loans and discounts of the commercial banks aggregated \$13,848,587,000, an increase of 14.1 percent or \$1,713,532,000 for the year. The percentage of loans and discounts to total assets was 21.2 compared to 17.3 on Dec. 31, 1945.

The percentage of cash, reserves, and funds due from banks to total assets was 21.8 at the year end compared with 21 at the end of the previous year.

The average earning rate of loans based on the proportion of interest and discount on loans per \$100 of loans and discounts in 1946 was 4 percent, compared with 4.2 percent in 1945. The average earning rate on investments based on total securities owned was 1.6 percent, slightly higher than 1945 when it was 1.3 percent.

Total current operating expenses for 1946 amounted to \$830,093,000, an increase of \$89,973,000, or 12.2 percent, over 1945. Salaries and wages

(CONTINUED ON PAGE 71)

### Plan Savings-Mortgage Conference in Atlanta

### Southern Bankers Will Hold November Meeting

The A.B.A. Savings Division has accepted the invitation of the Georgia Bankers Association and of the banks of Augusta to hold a savings and mortgage conference in Augusta on Nov. 20 and 21.

Bankers from Georgia, Florida, Alabama, North and South Carolina and Tennessee will be invited to participate.

Sherman Drawdy, president, Georgia Railroad Bank and Trust Company of Augusta and former president of the Georgia Bankers Association, will be chairman of the conference committee.

"There has been a great increase in the interest of southern bankers in the savings and mortgage business," said Division President Fred F. Spellissy. "Mr. Drawdy is working with us to build a program that will include top officers of the A.B.A. and of the Savings Division, as well as authorities in various phases of the savings and mortgage business."

### Bank Operating Aids Published in Booklet

Scores of aids, short-cuts and time-saving devices and suggestions are contained in a new booklet just completed by the Bank Management Commission of the American Bankers Association entitled "Aids and Suggestions for Improving Bank Operations."

This is a compilation of ideas and suggestions made by bankers over a period of years for improving bank operations.

### GI Loan Manual

The last opportunity to place an order for the "Loans to War Veterans Manual of Procedure" was given the A.B.A. membership in a bulletin mailed by the Association's Committee on Service for War Veterans.

### 66% National Banks' Net Added to Capital

### \$323 Million Plowed Back by Banks in '46

Sixty-six percent of national banks' net profits for 1946 was plowed back into their capital structure, says the annual report of Carl K. Withers, president of the A.B.A. National Bank Division.

Net profit was \$494 million of which \$170 million was paid out in dividends.

Additions to capital structure from all sources, including sale of new shares and more than \$323 million from net, amounted to \$493 million, bringing the total capital to \$5,137,000,000 at the year end.

Deposits of individuals, partnerships and corporations increased \$6,500,000,000, while loans and discounts were up 29 percent. U. S. Government deposits dropped \$12 billion, leaving deposit liability at about \$79 billion.

Gross earnings increased \$224 million, although net profits were only \$4,500,000 higher than in 1945. Loans and discounts earned a gross rate of 3.2 percent, or .2 percent more than in 1945. Security holdings were off 3.6 percent to \$46 billion and yielded 1.6 against 1.4 in 1945.

#### Operating Costs Up

"Mounting operating costs ate heavily into increased gross earnings," commented Mr. Withers. Salaries and wages increased \$79 million or 21.6 percent. Taxes were approximately \$15 million, or 6.5 percent more than in 1945. Profits on securities sold, and recoveries on loans and investments, exceeded losses by \$36 million. However, this was \$69 million less than in 1945.

Mr. Withers is president of the Lincoln National Bank, Newark, N. J.

#### Slide Film Equipment

Information on the rental of equipment for showing the A.B.A. slide film, "It's Up to Us," may be obtained from the Association's Customer Relations Department.

## Bankers Asked to Make Suggestions for Changes in Negotiable Instruments Act

The cooperation of the American Bankers Association has been enlisted by the American Law Institute in obtaining suggested changes in the Negotiable Instruments Act.

To this end, Thomas B. Paton, secretary of the Committee on State Legislation, has sent a letter to American Institute of Banking chapter negotiable instruments instructors explaining the Law Institute's request. The instructors are requested to put the A.B.A. in touch with practical bank men in their communities who handle negotiable paper by passing along the letter to them.

### Questions Asked

Questions propounded in the letter include:

"Should a distinction be made between checks certified by the holder and by the drawer with respect to the responsibility of the certifying bank?"

"What should be the responsibility of banks with respect to certifying or returning for correction items, particularly of large denominations, where payee's endorsement is missing?"

"There is need for redefining bearer paper in §9 to include checks payable to fictitious payees where the drawer should be responsible for the acts of his employees who supply the name of the fictitious payee."

"Bankers are perplexed by the problem of incurring unnecessary expense in protesting checks as foreign bills of exchange and are also aware of the weakness of a certificate of protest as *prima facie* evi-

dence of dishonor where the notary has not made personal presentation of the item."

"I am writing this letter to A. I. B. negotiable instruments instructors throughout the country feeling that they are in a position to get the kind of expert help we need for this important undertaking," said Mr. Paton. "I feel that by calling upon practical bankers to search their experience and point out weaknesses in the law, as borne out by everyday practice, we will be making a valuable contribution to the efforts of the draftsmen. We will also be following the principle that the law should follow the practice."

### State Bank Figures

(CONTINUED FROM PAGE 70)  
accounted for \$402,938,000 or \$58,152,000 more than the previous year.

Interest paid on time and savings deposits totaled \$125,145,000, an increase of \$11,444,000. Other current operating expenses increased \$24,385,000 to a total of \$253,079,000.

Federal and state income taxes totaled \$128,286,000, an increase of \$9,506,000.

Cash dividends declared by state commercial banks on common and preferred stocks averaged \$2.85 per \$100 of the total capital funds and totaled \$131,819,000. From the earnings of the banks, \$279,204,000 was turned back into the business and added to the capital account.

In 1946, earnings from service charges aggregated \$110,190,000, and represented 8.4 percent of total earnings from current operations. Without

## 20 States Now 100% in A.B.A. Membership

### Vermont, South Dakota Enrol All Their Banks

Vermont and South Dakota are now 100 percent in American Bankers Association membership.

Enrolment of their last non-members brings to 20 the number of states in which all the banks have joined the Association, reports Max Stieg, chairman of the Organization Committee.

The others are:

Alabama, Arizona, Arkansas, Colorado, Delaware, District of Columbia, Florida, Idaho, Louisiana, Nevada, New Mexico, North Carolina, North Dakota, Oregon, Utah, Virginia, Washington, and Wisconsin.

service-charge income, average banks in Minnesota and North Dakota would have shown net losses before dividends; and in five states—Louisiana, Minnesota, North Dakota, South Dakota, and South Carolina—the average bank would not have had sufficient profits to cover dividend declarations.

### Figures for Mutuals

On Dec. 31, 1946, there were 531 mutual savings banks. The total assets of these banks advanced to \$18,658,631,000, a gain of \$1,640,180,000.

Deposits of the mutuals totaled \$16,811,405,000, an increase of \$1,442,923,000.

Government securities aggregated \$11,744,126,000, an increase of \$1,069,386,000 or 10 percent. U. S. Government securities amounted to 62.9 percent of mutuals' total assets.

### 24 New Members

Twenty-four banks in 14 states joined the American Bankers Association during May, according to a report of the Organization Committee, of which Max Stieg, cashier of the Dairyman's State Bank, Clintonville, Wis., is chairman.

## New A.B.A. Color Comic Is to Feature Savings

### Second "Peter Penny" Telling Savings Story

The American Bankers Association's excursion into the color comic book field has met with so good a response that "Peter Penny and His Magic Dollar" will be followed by another "Peter Penny" book, with the possibility that a whole series may result.

After a recent meeting of the Savings Division's Committee on Savings Development, L. A. Tobie, chairman of the committee and president of the Meriden (Conn.) Savings Bank, announced that the second "Peter Penny" would be devoted to savings and thrift.

### A.B.A. Committee Plans School Savings Paper

The Committee on Savings Development of the A.B.A. Savings Division plans to publish, in cooperation with the Advertising Department, a school savings newspaper for distribution by banks to schools in which the savings program is in operation.

Preliminary plans call for issuing the publication quarterly.

## CALENDAR

### American Bankers Association

- |            |   |   |
|------------|---|---|
| Sept. 28-  | 1 | Annual Convention, Atlantic City, New Jersey                          |
| Oct. 22-24 |   | Pacific Coast & Rocky Mountain States Trust Conference, San Francisco |
| Nov. 6-7   |   | Mid-Continent Trust Conference, Chicago                               |

### State Associations

- |            |   |
|------------|---|
| Oct. 6-8   | Iowa, Hotel Fort Des Moines, Des Moines |
| Oct. 8-10  | Kentucky, Brown Hotel, Louisville       |
| Nov. 10-11 | Nebraska, Paxton Hotel, Omaha           |

### Other Organizations

- |             |  |
|-------------|--|
| Sept. 11-13 | Savings Banks Association of Massachusetts, New Ocean House, Swampscott, Massachusetts |
|-------------|--|

- |             |   |
|-------------|---|
| Sept. 14-17 | Savings Banks Association of Maine, Poland Spring House, Poland Spring, Maine |
| Sept. 15-22 | U. S. Savings & Loan League, San Francisco                                    |
| Sept. 24-26 | National Association of State Banks, Washington, D. C.                        |
| Sept. 26-28 | Association of Bank Women, Claridge Hotel, Atlantic City, N. J.               |
| Oct. 3-4    | New York State Safe Deposit Association, Waldorf-Astoria Hotel, N. Y.         |
| Oct. 6-9    | Financial Advertisers Association, Waldorf-Astoria, New York                  |
| Oct. 22-25  | National Association of Bank Auditors and Comptrollers, Baltimore, Maryland   |
| Nov. 10-11  | Western Secretaries' Conference, Salt Lake City                               |

# 1,600 Attend A.I.B. Convention

THE 45th annual convention of the American Institute of Banking in Detroit last month was one of the most successful in the life of the Institute, according to William A. Irwin, national educational director. Speakers at the general sessions included C. W. Bailey, president of the American Bankers Association. These sessions drew large and enthusiastic audiences and departmental conferences were exceptionally well attended, said Dr. Irwin. More than 1,600 delegates and guests attended the convention.

Garnett A. Carter, vice-president of The Fulton National Bank, Atlanta, Georgia, was advanced from vice-president to national president of the A.I.B. and Pierre N. Hauser, vice-president of the First Wisconsin National Bank, Milwaukee, was elected vice-president.

Delegates to the convention also elected four new members of the Executive Council of the Institute. They are: Edward J. Damstra, Chicago City Bank and Trust Company, Chicago; Theron D. Elder, First National Bank & Trust Company, Oklahoma City; George E. Levine, Providence (R. I.) Institution for Savings; and Byron A. Wilson, Central Bank and Trust Company, Denver.

Robert F. Clark of the Spokane and Eastern Branch, Seattle-First National Bank, Spokane, won the \$500 prize in the 21st annual public speaking contest held during the convention for the A. P. Giannini Educational Endowment prizes. Besides Mr. Clark, the other winners in the contest and their awards were: Orion A. Hill, Jr., American Trust Company, Berkeley, \$300; William C. Dowd, Security National Bank Savings & Trust Company, St. Louis, \$200; and Albert C. Bartlett, Citizens Trust Company, Portsmouth, Virginia, \$100.

The theme chosen by the Institute for the inter-chapter and study group debates leading up to the national contest was "The Management of the Federal Debt." The subtopic, "The National Debt—Its Implications for Our Economy," was announced only a few hours before the contest.

The debate team representing New York Chapter of the A.I.B. won the national convention debate, supporting the negative of the question, "Resolved, That the United States Government Should Adopt a Long Term Budget Policy Instead of the Present Fiscal Year Policy," in opposition to a Chicago Chapter team.

Winners included: Joseph Kremar, Chemical Bank & Trust Company; Robert A. Potter, Bowery Savings Bank; and Ronald F. Bogle (alternate), The Public National Bank and Trust Company.

First, second, third and fourth place winners in the national public speaking contest: Messrs. Clark, Hill, Dowd and Bartlett, left, below. E. Francis DeVos, Federal Reserve Bank of St. Louis and chairman, Debate Committee, right, below, gives the signal for the start of the national convention debate between New York and Chicago chapters. Seated at Mr. DeVos' left, are Messrs. Potter, Kremar and Bogle (not shown in picture), of New York team, and at his right, Messrs. Stift, Liptrap and Untiedt, of the Chicago debate team



President Bailey, third from right, above, meets informally with the national officers of the American Institute of Banking during the convention in Detroit. With Mr. Bailey, left to right, Secretary Floyd W. Larson, Educational Director Irwin, Vice-president Hauser, President Carter, retiring President George J. Greenwood, Jr., and Associate Educational Director Leroy Lewis

Members of the Chicago team were: Virgil R. Liptrap, The First National Bank of Chicago; Harvey R. Untiedt, Harris Trust and Savings Bank; and Walter F. Stift (alternate), Mercantile National Bank of Chicago.

A resolution eulogizing the late Richard W. Hill, offered by Frank M. Totten, vice-president, Chase National Bank of New York, was adopted by the delegates. Mr. Hill, who was A.B.A. secretary and registrar of The Graduate School of Banking at the time of his retirement in 1944, was associated with the Institute from 1916 to 1940, first as assistant educational director and later as national secretary.

Mr. Carter joined The Fulton National Bank in 1927. He started as a runner and advanced to the vice-presidency. Since joining Atlanta Chapter in 1927, he has held practically every elective office, including the presidency. He has also been active in national Institute affairs, serving as a member of the Executive Council from 1939 to 1942. He earned the Institute's standard certificate in 1934.

Mr. Hauser, the new vice-president, entered banking in 1918 and immediately joined the A.I.B., receiving the standard certificate in 1923. He has held every elective office in the Milwaukee Chapter and has served on numerous national committees, including the Executive Council.

Delegates accepted Buffalo Chapter's invitation to hold its 1948 convention in Buffalo.





## *Saturday Closing and* “The Long Week-End”

NEW PROBLEMS FOR BANKING EXECUTIVES . . . NEW SOLUTIONS BY DIEBOLD

The trend toward Saturday closing poses new problems for management. Most vault timers are built for a maximum of 72 hours, while a minimum 88 hour interval is required when a Friday or Monday holiday occurs. Lobby traffic reaches new peaks after the longer week-end—patrons are inconvenienced, tellers are pushed to the limit.

Even a 96 hour timer cannot protect your vault against emergency possibilities such as floods, conflagrations, strikes, riots and uprisings, or national or state proclaimed holidays which might

now extend the week-end to more than three days.

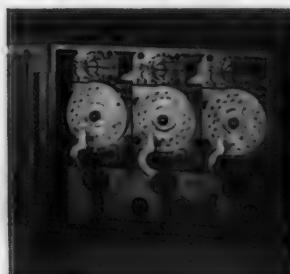
Diebold Engineers anticipated your needs and offer today, two new units to solve your Saturday closing problems—The Diebold 120-Hour Timer for your vault, and The Diebold After-Hour Depository to help level deposit volume.

Whether or not you now have Saturday closing, you should learn more about this new equipment and plan to install it—for normal operation now, and for the abnormal conditions that may come later.



### DIEBOLD 120-HOUR TIMER

Ready installed in new or old vaults. Provides emergency timing for unusual periods—up to 120 hours. Combines the finest features of York and Diebold design. Compact, simple, fool-proof.



### DIEBOLD AFTER-HOUR DEPOSITORY

Easy to use—perfectly safe. Customer unlocks door, places deposit in hopper over closed chute. As door is closed, deposit drops through chute and spring bolt re-locks door.



BANK DIVISION  
**Diebold**  
INCORPORATED

Now includes York Vaults—McClintock Alarms  
Canton 2, Ohio

MICROFILM • ROTARY, VERTICAL AND VISIBLE  
FILING EQUIPMENT • SAFES, CHESTS AND VAULT  
DOORS • BANK VAULT EQUIPMENT • BURGLAR  
ALARMS • HOLLOW METAL DOORS AND TRIM



# Other Organizations

## Washington Visits

THE pictures in the column at the left record four recent visits made to the nation's capital by delegations of bankers representing state associations. The four groups are, *from the top*, bankers and guests from Louisiana, Minnesota, Pennsylvania and Colorado.

On the occasion of the Louisiana visit the photo *below* was also taken, showing, *left to right*, Dale Graham, senior vice-president, National Bank of Commerce, New Orleans; V. V. Whittington, vice-president, L.B.A., and president, Bossier Bank and Trust Company; Allen Dezauche, president, L.B.A., and executive vice-president, St. Landry Bank and Trust Company, Opelousas; A.B.A. President C. W. Bailey; A.B.A. General Counsel D. J. Needham; James C. Atkins, cashier and assistant trust officer, Continental-American Bank and Trust Company, Shreveport, and R. Irby Didier, Secretary, L.B.A.



## New State Presidents

Because of space limitations, BANKING is not able this month to print all of the state association presidents' pictures that have been received. However, the remainder will appear in August.

It is regretted that photographs of all the officers in each state association, from the president on down, cannot always be reproduced, but the space required for such a project obviously makes it impossible.

It is hoped that state secretaries who have not yet done so will send their associations' new presidents' photos to BANKING.

## SOME NEW STATE ASSOCIATION PRESIDENTS

(Others will appear in August BANKING)



*Left to right:* TEXAS, W. A. Kirkland, chairman, executive committee, and executive vice-president, First National Bank, Houston; UTAH, Ray P. Dyreng, cashier, Manti City Bank, Manti; ALABAMA, J. Marbury Rainer, vice-president, Birmingham Trust National Bank; ILLINOIS, George C. Williams, president, State Bank & Trust Company, Evanston



*Left to right:* OKLAHOMA, W. L. Stephenson, president, Central National Bank, Enid; VERMONT, David Marvin, president, Essex Trust Company, Essex Junction; OREGON, Charles R. Harding, vice-president, United States National Bank, Portland; NEW JERSEY, Frank W. Sutton, Jr., president, First National Bank, Toms River



*Left to right:* NEW MEXICO, O. M. Love, vice-president, Albuquerque National Trust & Savings Bank; NEVADA, J. E. Brinton, president, First National Bank of Ely; SOUTH DAKOTA, A. E. Dahl, president, Rapid City National Bank; MAINE, Percy R. Winslow, vice-president and cashier, Northern National Bank, Presque Isle



*Left to right:* PENNSYLVANIA, George Porter Shotwell, president, Williamsport National Bank; MISSISSIPPI, W. Stennis Johnson, executive vice-president and chairman, First National Bank, McComb; TENNESSEE, John E. Brown, vice-president, National Bank of Commerce, Jackson; MISSOURI, J. C. Williams, vice-president, Commerce Trust Company, Kansas City

## News for Country Bankers

(CONTINUED FROM PAGE 57)

district banks by giving prominent editorial space to it.

J. K. Yost, cashier, Farmers and Merchants National Bank, Winchester, who is the county key banker in this community, has had an active part in developing this program.

### Banks Praised by Press

A full-page illustrated feature story on the history of North Carolina banks

was carried in a recent Sunday edition of the *Journal and Sentinel* of Winston-Salem.

The article led off with an account of the early history of the state itself. It then traced the history and development of North Carolina banks and of banking in general, and concluded with a brief paragraph about the leadership of bankers in developing sound agriculture through soil conservation, crop diversification and sound farm credit.

The newspaper did an interesting job of connecting the past with the present through the use of an early picture of the Bank of Cape Fear, founded in 1804 and referred to as "the Adam of the North Carolina bank family." The

Wachovia Bank and Trust Company is, in a sense, descended from this bank. Early Wachovia pictures also were used. The Commercial National Bank of Charlotte, founded in 1874, is listed as the state's oldest bank, with Wachovia a junior by five years.

### New Hampshire Conference

The evening program of the annual meeting of the New Hampshire Bankers Association, held in Newcastle early in June, was devoted to discussion of the outlook for agricultural credit, developments in agriculture, and a panel discussion of actual loan applications.

George Wright, chairman of the agricultural committee of the association and cashier of the Rockingham National Bank, was in charge of arrangements for this conference.

### Connecticut Farm School

The third annual Connecticut Farm Credit Conference was held at the University of Connecticut, Storrs, June 18-19. Emphasis was placed on the agricultural outlook.

The program included a panel discussion which presented the farmers' point of view in credit usage, adaptability of new farm machinery to southern New England conditions, bank credits vs. merchant-dealer credit, discussions of dairy and potato loans, what an appraiser looks for in sizing up an application for a loan, and a simulated interview with an applicant that carries through progressively to a field report and loan committee action.

This conference was arranged by the Connecticut Bankers Association.

Nine thousand essays on soil conservation were submitted by high school students in a contest sponsored by the South Carolina Bankers Association in cooperation with South Carolina Association of Soil Conservation District Supervisors. Preparatory to writing the essays, movies prepared by the SCS were shown by the bankers association to 55,000 students. Below, Association President Donald E. Brown congratulates June Marshall, up-state winner of \$50 award. State winner, Bill Adams, left, received \$75 award. Bert Smith, low-county winner, second from right, also received \$50 award. J. B. Douthit, right, is farmer-president, district supervisors. Supplemental prizes equivalent to \$4,000 in cash and merchandise were awarded to county contest winners.



## FOUNDED ON FAITH The Western Department of Fireman's Fund marks its 75<sup>th</sup> Anniversary

On October 8, 1871, Mrs. O'Leary's cow kicked over a lantern that started the great Chicago conflagration and incidentally inspired the establishment of the Western Department of Fireman's Fund Insurance Company. Then only 8 years old, Fireman's Fund demonstrated its Strength, Permanence and Stability by promptly paying over half a million dollars in claims, an amount that even exceeded its capital. With losses so severe that 149 insurance companies failed, were suspended or withdrew to their home states, the Fireman's Fund

achievement stood out like a beacon light. A testimonial containing 144 signatures was presented to the Company by business firms in appreciation of Fireman's Fund paying all its losses in full. Fireman's Fund responded by opening its Western Department in Chicago on July 1, 1872, a Department founded on faith in the face of ruin and destruction. With that faith more than vindicated through the years, Fireman's Fund salutes its Western Department on the occasion of its 75th Anniversary.



DEPENDABLE INSURANCE SINCE 1850

**FIREMAN'S FUND GROUP**

Fireman's Fund Insurance Company  
Home Office, San Francisco  
Fireman's Fund Marine  
Western National  
Fireman's Fund Casualty  
Fireman's Fund Life  
Fireman's Fund Fire Protection



# CONCERNED ABOUT EMPLOYEE RELATIONS?...



**G**OOD PERSONNEL RELATIONS must always be on a firm foundation of good understanding. Yet it's surprising how often employees are unaware of the privileges, security, and benefits that accrue to them through their employment.

Knowing this, we recently revised our "institutional" booklet, bringing a new approach to an old idea. It deals with The Todd Company wholly from the employee's point of view—his aspirations, prospects, privileges, and future.

This booklet contains ideas and suggestions that may prove helpful to you if you're considering a similar publication.

We'll be happy to send you a copy—along with any of the other booklets listed below which we've produced from time to time in a desire to be of help to banks in their public-relations problems.



ROCHESTER  
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## THE TODD COMPANY, Inc., Rochester 3, New York

B-7-47

Please send me a copy of your new booklet "My Association With the Todd Company." I would also like a copy of:

- ( ) "Better Bank Letters"
- ( ) "No-Minimum-Balance Checking Accounts"
- ( ) "More Ways To Make Friends For A Bank"
- ( ) "Negotiable Instruments"

NAME \_\_\_\_\_ TITLE \_\_\_\_\_

BANK \_\_\_\_\_

CITY \_\_\_\_\_ COUNTY \_\_\_\_\_ STATE \_\_\_\_\_

# HEARD ALONG MAIN STREET

## A Three-Bank Move

**A**BANK in Michigan, another in California and a third in Oregon figured in a recent shifting of executives. DUNLAP C. CLARK resigned as president of the American National Bank of Kalamazoo to become president of Central Bank of Oakland, succeeding FRANK N. BELGRANO. The latter is now president of the First National Bank of Portland, Oregon, replacing E. B. MACNAUGHTON, new chairman of the board of that bank. Mr. CLARK's post in the Kalamazoo bank has been taken by GARRET VAN HAAFTEN, formerly vice-president.

Mr. BELGRANO, national commander of the American Legion in 1934-35, has been in banking in California almost continuously since 1916 when he started his career as an office boy in an Oakland bank. He served 18 months in the Army during World War I, becoming a first lieutenant of artillery. He was elected president of Central Bank in the Summer of 1943.

Mr. CLARK, chairman of the A.B.A. Membership Committee for three years, is now on the executive committee of the Association's National Bank Division and chairman of that Division's Federal Legislation Committee. During the war he was chief of the Fiscal Branch, Special Planning Division, War Department, holding the rank of colonel. He also served in World War I.

At the American National Bank of Kalamazoo HAROLD A. JACOBSON has been made a vice-president and ABE DEBOER vice-president and cashier.

## Manufacturers Trust

**S**EVERAL changes have recently taken place on the executive staff of Manufacturers Trust Company, New York City.

HENRY C. VON ELM was elected chair-

man of the board, having served as vice-chairman since 1931. HARVEY D. GIBSON, who had held the chairmanship as well as the presidency, remains as president. Mr. von ELM has been with the bank for about 45 years.

The vice-chairmanship of the board is now held by Vice-president HORACE C. FLANIGAN. CHARLES C. CLOUGH, formerly vice-president and comptroller, was elected administrative vice-president and Vice-president L. P. CHRISTENSON has been designated senior loaning officer. HARRY C. KILPATRICK was made assistant to the president.

## Hugh McGee

**C**OLONEL HUGH HENRY McGEE, 61, former vice-president of Bankers Trust Company, New York, and active in the small business credit program of



Mr. von Elm



Mr. Flanigan

the American Bankers Association, died June 2 at a hospital in Glen Cove, New York, after a short illness.

Colonel McGEE, who was graduated from the United States Military Academy at West Point in 1909, was a pioneer in the field of loans to small business. As a member of the A.B.A. Post-war Small Business Credit Commission he helped establish the series of regional credit groups to facilitate the under-

(CONTINUED ON PAGE 80)

## Banker-Actor



**L**OUIS NORTHRUP, assistant vice-president of The First National Bank of Chicago, is a veteran screen actor. His latest role is that of King Duncan in the David Bradley production of "Macbeth."

Mr. NORTHRUP'S first screen appear-

ance as a Bradley actor was in "Treasure Island" in 1937. Later he appeared in "Oliver Twist" and "Sredni Vash-tar." "Macbeth" is an educational film, used in schools in connection with the study of Shakespeare.

The picture shows him as Duncan.

# *High-Speed*

## COLLECTION SERVICE

When banks send their checks, notes and drafts to us for collection they are assured of prompt and dependable service—twenty-four hours a day.

Modern, high-speed machines, plus careful work by experienced personnel, insure the earliest availability of the proceeds of all items.

We welcome inquiries from correspondent banks and others with a view to securing full benefit from mail and express schedules, both rail and air, and thus further expedite the handling of items forwarded to us for collection.

You are cordially invited to visit us at your convenience. We will be glad to show you how deposits are processed to insure maximum speed of presentation.

## BANKERS TRUST COMPANY

NEW YORK

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION



HEARD ALONG MAIN STREET

# CANADA'S OLDEST BANK

*With Modern, Experienced Service*

—over \$1,700,000,000 in assets—over 1,000,000 deposit accounts—branches throughout Canada and Newfoundland—

## Offers To American Bankers Having Business With Canada

—data on agricultural, commercial, mining and manufacturing conditions in any part of Canada—credit and market information—deposit and loaning facilities—assistance on the intricacies of foreign exchange transactions—commercial credits—collections and payments—special wire connections for speeding transactions.

Bankers are invited to call on our American offices to learn fully about the Bank's organized assistance for private industry and commerce.

NEW YORK: 64 Wall Street CHICAGO: 27 South LaSalle St.  
SAN FRANCISCO: 333 California St.

HEAD OFFICE—MONTREAL  
Branches throughout Canada and Newfoundland

## BANK OF MONTREAL

ESTABLISHED 1817



*Better\**  
**RECORD STORAGE**  
*AT Lowest Cost!*

Specialists In Bank Record Storage Since 1918

**BANKERS BOX COMPANY**  
720 SO. DEARBORN ST. CHICAGO 5, ILL.



writing of loans to local enterprises throughout the country. He had also served as a member of the Association's Committee on Special Activities.

Retiring in 1946 from the Bankers Trust vice-presidency which he had held for 25 years, Colonel McGEE had since been financial counselor to the bank and other financial institutions, as well as to industrial and utility companies. He was chairman of the credit committee of a \$100 million New York bank credit group formed in 1944.



Mr. McGee

Colonel McGEE's military career included service during the Philippine Insurrection, when he was twice wounded. In World War I he was chief of staff of the 77th Division in France. He retired as a colonel in 1919, the year he joined the Bankers Trust staff.

He was a trustee of the U. S. Military Academy, a director of the Association of Reserve City Bankers and chairman of the financial advisory committee of the Committee for Economic Development.

### Miami Merger

Merger of the American National Bank and the First Trust Company of Miami with The First National Bank of Miami became effective June 16. The three institutions had combined resources of more than \$145 million on December 31, 1946.

The combined banks occupy the remodeled and modernized First National Bank building. The merger, said President WILEY R. REYNOLDS of the First National, brought the personnel and board members of the American National into the First organization. The

First Trust Company became part of the First National's trust department.

EDWARD F. McDUGAL, recently named advertising and public relations manager of Bankers Trust Company, New York, was director of public relations for the Treasury's Savings Bond Division in New York State for four years. He was previously associated with the publicity department of New York University.

JOHN H. EVANS has been named president of the McDowell National Bank, Sharon, Pennsylvania, to succeed the late HARRY B. McDOWELL who died while attending the 1947 spring meeting of the American Bankers Association Executive Council. Mr. EVANS has been vice-president and trust officer of the bank.

LEWIS H. CARSTARPHEN has been elected secretary of the Federal Reserve Bank of St. Louis, succeeding CLARENCE M. STEWART, now manager of the Little Rock branch.

W. RAY TABLER, formerly cashier of the Centreville (Maryland) National Bank, is now cashier and vice-president of the Nicodemus National Bank of Hagerstown, Maryland.

ALEXANDER C. NAGLE, president of the First National Bank of New York, is chairman of the Insurance and Finance Committee for the Greater New York Fund's 1947 campaign in Manhattan.

STANLEY P. WYATT, cashier, and WALTER B. DAVIS, assistant cashier, of the National Shawmut Bank of Boston have retired after 44 and 47 years of service, respectively.

A. R. WEINHANDL, president of the First National Bank of Minot, North Dakota, is community chairman of the Committee for Economic Development.

JOHN C. BATES, vice-president of Marine Midland Group, Inc., has been made vice-president of the Marine Trust Company of Buffalo.

WILLIAM T. KING, formerly assistant manager of the bond department of the First Boston Corporation, is now in the bond department of the National Rockland Bank, Boston.

HENRY A. KUGELER, president of The Denver National Bank, has been made a three-year director of the Denver Chamber of Commerce.

EDWARD A. DEEDS, a director of the National City Bank of New York, was honored by Denison University, his alma mater, on the 50th anniversary of his graduation. Colonel DEEDS, who has completed 35 years as a trustee of the university, was guest of honor at a luncheon at Granville, Ohio. ORVILLE WRIGHT and GORDON S. RENTSCHLER, chairman of the National City, were among the other guests.

JOHN C. THOMPSON, president of the New Jersey Realty Company, Newark, has been nominated for the presidency of the Mortgage Bankers Association of America to succeed GUY T. O. HOLLYDAY of Baltimore. The association's con-



At the Denison festivities: C. F. Kettering, Orville Wright, Gordon S. Rentschler, and Colonel Deeds

vention is held October 2-4 at Cleveland.

## Investment Service For Your Bank

IT COSTS you nothing to have our Investment Division operate your bond portfolio. And using the American National as your purchasing and selling agent frequently saves or makes money for your bank.

Here's the reason: When we buy or sell Government, state or municipal securities for your account these transactions are executed in the open market to give you full advantage of the best available prices.

There is no charge for this service. You decide what is to be bought or sold—we handle the details.

In completing transactions, and in the analysis of your bank's holdings, the diversified experience of our Investment Division is completely at your disposal.

### AMERICAN NATIONAL BANK AND TRUST COMPANY OF CHICAGO

LA SALLE STREET

AT WASHINGTON

Member Federal Deposit

Insurance Corporation



OUR BUSINESS IS TO HELP BUSINESS

CLARENCE B. PLANTZ has been appointed president of the Savings Bank Life Insurance Fund of New York. He was formerly vice-president and treasurer of the New York Savings Bank, and had served a year as executive vice-president of the Fund.

The Sewickley (Pennsylvania) Valley Trust Company has become a branch of Peoples First National Bank & Trust Company, Pittsburgh.

*Look* magazine recently carried a feature story on A. P. GIANNINI, "Banker to the West."



Mr. Collins



Mr. Cole

WALTER T. COLLINS, executive vice-president of the Savings Banks' Deposit Guaranty Fund of Connecticut, Inc., since November 1945, has been elected vice-president of the New Haven Savings Bank.

REGINALD T. COLE, formerly cashier of the Howard National Bank and Trust Company, Burlington, Vermont, is now a vice-president of the Title Guarantee and Trust Company of New York City.

HENRY G. DIEFENBACH, comptroller of the United States Trust Company, is the new president of the New York City Bank Comptrollers and Auditors Conference. He succeeds GEORGE EHREHARDT, assistant vice-president of Central Hanover Bank and Trust Company.

HAROLD LEE, governor of the Federal Home Loan Bank System, has been elected president of the Federal Bar Association.

### Elections

JOHN D. BAINER, president, Merchants National Bank and Trust Company, Meadville, Pennsylvania.

L. F. STROEFER, vice-president, The City National Bank and Trust Company, Columbus, Ohio.

HAROLD H. ANDERSON, president, OWEN L. COON, board chairman, Chicago Terminal National Bank.

ROBERT K. CHRISTENBERRY, board chairman, Clinton Trust Company, New York.

FRED E. SMITH, HAROLD P. PERKINS, vice-presidents, Norway (Maine) National Bank.

HUGH C. GRUWELL, president, First National Bank of Arizona, Phoenix.

RAYMOND C. DEERING, comptroller, JOSEPH M. VOLLMER, WILLIAM S. VANEK, MICHAEL J. BURKE, vice-presidents, Manufacturers Trust Company, New York.

RENO P. RANSOM, vice-president, Seattle-First National Bank.

## We looked over Georgia and liked what we saw!

New industries. New plans. More and more people investing in Georgia. As this section develops, so does the friendly Fulton, and so do our correspondents.

*If you do not already use our services,  
we invite you to join our group.*

**The Fulton NATIONAL BANK**

COMPLETE SERVICE AT OFFICES IN METROPOLITAN AREA OF ATLANTA

MEMBER FEDERAL RESERVE SYSTEM  
MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION



## the KNOW HOW

Whatever your Payment Coupon Book problem may be—get a practical answer from Allison.

With a background of 59 years experience, Allison KNOWS HOW to design Coupon Books that tie in with your set up—are low-cost in use—and secure prompt collections.

Samples of what we have done for others, together with complete information, will be sent upon request. Write to head office:

Indianapolis 6, Indiana.

"SINCE  
1888"



Mr. Bainer



Mr. Anderson



Mr. Deering



Mr. Ransom

BANKING

## No Bank Is Stronger Than Its Friends

(CONTINUED FROM PAGE 51)

When the Negro school at Forrest City burned several years ago, Campbell discovered that plans were afoot to rebuild it in a cluttered section surrounded by railroad tracks and factories. He found a site on one of the main highways leading into town where there was room for playground and athletic field. Then he talked the owners into selling it to the school district, talked the school board into using it. Now Forrest City is proud of its Lincoln school for colored children—and the Negroes remember who fought their battle for them.

"He's done more for us than any man in Arkansas," one of them says.

Wherever you go in St. Francis County you hear how Will Campbell helped this man out of trouble, saved that man's business, or headed some community drive. A partial list of the organizations of which he is a member, a director, a trustee or an officer numbers 23. The state Tuberculosis Association, the state Children's Home and Hospital, the state Chamber of Commerce list him as a director. He gives time to the Mid-South Fair Association, the Federal Reserve Bank of Memphis and is chairman of the state highway finance advisory committee. He's a member of four national committees of the American Bankers Association and of the Memphis and Arkansas Bridge commission. And with all this, he still finds time to be an elder of the Presbyterian church.

A dirt farmer, standing ankle deep in the spring mud, summed up in one long-drawn word what the neighbors think of Good Neighbor Will Campbell.

"Substantial. That's what Mister Will is—substantial."

Medical science has advanced to the point where it's almost impossible to find anything all right about a person.

*The most obscure job in the world:  
Vice-marshal of Russia.*

The modern woman doesn't weep as much as her grandmother. After all, what is there left for her to cry for?

*When you look at the condition of the world, it's easy to understand why the first thing a new-born baby does is to howl.*

No man can be called a complete failure until he has tried his hand unsuccessfully in politics.

1857 90 Years of Progress 1947

**DIRECT SENDING**  
*to Speed Your Items*

Mercantile-Commerce is one of the few large institutions that follows the practice of routing collections and non-par items direct to points of payment. This service not only speeds up the time such items are outstanding, but often reduces exchange costs.

While direct sending materially increases our expense of handling such items, it is a service to which Mercantile-Commerce believes our depositors are entitled. It is another reason why so many banks and business firms have selected Mercantile-Commerce to serve them in St. Louis.

**MERCANTILE**  
Bank and  
ST. LOUIS I  
  
-COMMERCE  
Trust Company  
MISSOURI

MEMBER FEDERAL DEPOSIT  
INSURANCE CORPORATION

## Manufacturers Trust Company

Banks throughout the United States are using the facilities of our **Investment Analysis Division**. We will gladly prepare a review of your bond portfolio in relation to your overall banking position. Inquiries are invited.

**Principal Office: 55 Broad St., New York 15, N. Y.**

*Member Federal Deposit Insurance Corporation*



100,000  
of these  
brochures



*have been mailed!*



To assure your customers still wider acceptance of American Express Travelers Cheques, more than 100,000 brochures have just been mailed to hotels, vacation resorts, tourist camps, department stores and gasoline filling stations.

Inside the brochure a full size American Express Travelers Cheque is shown with an example of just how a Travelers Cheque should be countersigned and accepted without risk of loss. It emphasizes that no identification is required excepting this countersignature.

This nation-wide circularization assures immediate acceptance of American Express Travelers Cheques in out-of-the-way places as well as at urban hotels and other estab-

lishments serving vacationists and business travelers.

They help pave the way for greater-than-ever vacation-time sale of American Express Travelers Cheques by your bank.

They are a logical part of the tremendous national advertising and promotion program of American Express Travelers Cheques—a program which makes American Express Travelers Cheques the most widely accepted of all Travel Funds.

Write to W. H. Stetser, Vice President, American Express Company, 65 Broadway, New York 6, N.Y., for the broadside that shows the newspaper mats available to help you capitalize on this national program through your bank's local advertising.

## AMERICAN EXPRESS *Travelers Cheques*

## Bank Earnings

(CONTINUED FROM PAGE 27)

plus basis—everyone made money, no one failed, and all loans were good. Today industry is entering a period of intense competition, a satisfactory profit margin is no longer assured to all producers, and the law of the survival of the most efficient is just beginning to operate again through the weeding out of marginal and high cost operators.

In many instances rates of interest charged bank borrowers do not adequately reflect or provide for the risks which are involved in lending money under present and prospective business conditions.

THE rise in costs, though substantial on a dollar basis, has been kept under satisfactory control in relation to the increase in business handled. Volume, after a constant increase throughout the war period, apparently reached a climax a year or 18 months ago, since which time a moderate decline, in the neighborhood of 10 percent, has taken place. There are signs which suggest that volume has stabilized around its present level, which is still relatively very high. It is encouraging that within this framework of high over-all volume the outlook is best for the kinds of business producing the highest margins of operating profit, i.e., loans. Selling prices on certain types of business, such as less-than-prime loans, and in some cases on services rendered, including checking account and trust department activities, do not appear adequate to compensate for the risks and expenses involved.

This general picture, although not wholly satisfactory, nevertheless offers a sound basis for optimism in that most of the unfavorable elements are susceptible to constructive action on the part of bankers themselves. In other words, the earnings outlook for banks is largely what bankers make it. If bankers will work towards increased operating efficiency (through greater mechanization, better planning and supervision and improved and closer employe relations), if bankers will intelligently and aggressively merchandise the services which they offer, and if they will have the courage to price their products correctly and intelligently explain the reasons for these prices to their customers, then the outlook for a satisfactory level of bank earnings and for a living wage for the capital invested in the banking business is far from discouraging.

# COLOMBIA

## Presents Extensive Opportunities

Colombia, among the leading countries of South America in trade with the United States, will offer increasing opportunity for travel and import trade in the years ahead.

Increasing numbers of forward-looking banks and business organizations in the United States are establishing correspondent relations in Latin America, notably with Colombia. Many of them are taking advantage of the exceptional and complete banking facilities provided by this 34-year old institution.

With 25 offices in all commercially important parts of the country, trade information is quickly gathered and forwarded to you. Special departments for handling collections and letters of credit.

Inquiries cordially invited.

## BANCO COMERCIAL ANTIOQUEÑO

Established 1912

Cable address for all offices—Bancoquia

Capital paid-up: \$8,184,937.—Pesos Colombian

Reserves: \$8,853,662.—Pesos Colombian

General Manager: Antonio Derka

Head Office: MEDELLIN, COLOMBIA, SOUTH AMERICA

BRANCHES: Ansnera (V), Armenia, Barrancabermeja, Barranquilla, BOGOTA, Bucaramanga, Cali, Cartagena, Cartago, Cucuta, Girardot, Magangue, Manizales, Monteria, Neiva, Pasto, Pereira, Puerto Berrio, San Gil, San Marcos, Santa Marta, Sincelejo, Tuluá, Vélez.

New York Representative—Henry Ludeke, 40 Exchange Place, New York 5, N. Y.

**OLD WAY**—Slow, Wasteful, Tedious!



...for  
QUICK-  
ACCURATE--  
*Handling of Loose Coins*  
**The DOWNEY  
CHANGE TRAY**  
THE MODERN WAY

THIS aluminum Tray holds 10 coins each of pennies, nickels, dimes, quarters and halves in each of 68 staggered pockets for quick handling. Raised black figures on border mark pockets. Teller can make change with speed. Size of Tray: 12½ in. by 9 in. May be placed on counter, mounted on pedestal to save space or on short legs for nesting and storage in vault.

WRITE TODAY, TO DEPT. N

The C. L. DOWNEY Company  
HANNIBAL, MISSOURI  
World Largest Mfrs. of Coin Wrappers

## New York Hanseatic Corporation

Founded 1920

120 Broadway, New York 5

Phone BArclay 7-5660  
Teletype: NY 1-583

Dealers  
in

United States  
Government  
Securities



# Methods and Ideas

## A Million—in Cash

ON THE theory that most folks talk about a million dollars at one time or other but never see so much money, THE BANK OF GEORGIA, Atlanta, decided to satisfy public curiosity.

When the bank's enlarged quarters were opened the feature attraction was an eight-foot board whereon was stacked a million in cold cash. The exhibit was laid out on a reclining panel by a professional decorator.

The display comprised ten \$10,000 bills, a hundred \$1,000 bills, 1,003 hundreds, a single \$50 bill, \$46,000 in ones, 30,000 in fives, 20,000 tens, 15,000 twenties, and the remainder in coin.

The thousands of people who came to peer at the money also saw charts and other illustrations that offered a bit of education in economics.

President Joseph E. Birnie explained the real purpose of the display.

"There are so many misconceptions of what money actually is, who gets what share of it, how it functions in our daily lives, that a great need exists in furthering a better understanding of it," he said.

"For instance, public opinion polls show that many employees believe that after a company pays its outside costs, bosses and stockholders get 75 cents out of each remaining dollar while employees get only 25 cents. A survey of companies and corporations reveals that actually employees throughout America get an average of 87 cents to every 13 cents that goes to bosses and stockholders.

"We are displaying such statistics as these in connection with our exhibition of the million dollars in a sincere effort to help bring greater understanding of our free enterprise and profit system. Industrial peace can only come through understanding.

"The individual American isn't greatly interested in 'talk' about the American Way of Life. He wants to know, 'What does it mean to me?' Through this exhibition, we are striving

to do our part in showing him exactly what it means to him and help relieve his mind of any fear that he is being pushed around.

"The million dollar display also is a way of dramatizing the modern concept of banking today to meet human needs, to meet the economic needs of the times. It shows that money is available, for use by people, to help them in their daily lives."

## You and Your Job

That's the title of a little booklet which the NATIONAL CITY BANK OF CLEVELAND sends to its employees at their homes. The purpose is to help them know their jobs and their bank.

There are suggestions along the lines of public relations, personality, self-analysis, customer relations, use of the telephone, waste, personal contacts, relations with superiors and subordinates—all offered in a friendly manner.

The pamphlet is also available to the bank's correspondents.

## Dollars at Work

The 1946 annual report of THE FRANKLIN SQUARE (New York) NATIONAL BANK, on 39 slick paper pages, seeks to "take some of the austerity out of banking," as President Arthur T. Roth puts it, by telling the simplified story of the bank's operations.

Looking at the Bank of Georgia's million



In pictures and in a dozen examples of "dollars at work," the report describes how the bank helped big and little business grow. It tells how the bank serves as a "rotator of moneys," taking the community's funds, putting to work the excess over reserve requirements.

Several pages are devoted to short stories of how the bank's services have aided specific customers: builders, barbers, fishermen, factories, hospitals and home owners. There is also an account of the bank's plans for using its expanded quarters.

## A Bank, a Town and Tulips

The PELLA (Iowa) NATIONAL BANK observed its own 90th anniversary and the hundredth birthday of the town by publishing a pamphlet that also called attention to the community's annual tulip festival.

The cover was decorated with a color drawing of tulips, beneath which was an invitation to attend Pella's centennial and the festival. Inside was a page of copy about Pella. Opposite it was another page on the bank's history. The condition statement was on two pages, followed by a list of officers, employees, directors and services. Then there were some suggestions on things to see at the festival and lists of community committees in charge of the celebration.

The town was founded in 1847 by a company of immigrants from The Netherlands who called their settlement, Pella, the City of Refuge.

The pamphlet was the work of J. R. Drake, the bank's executive vice-president.

## The Parson's Thanksgiving Dinner

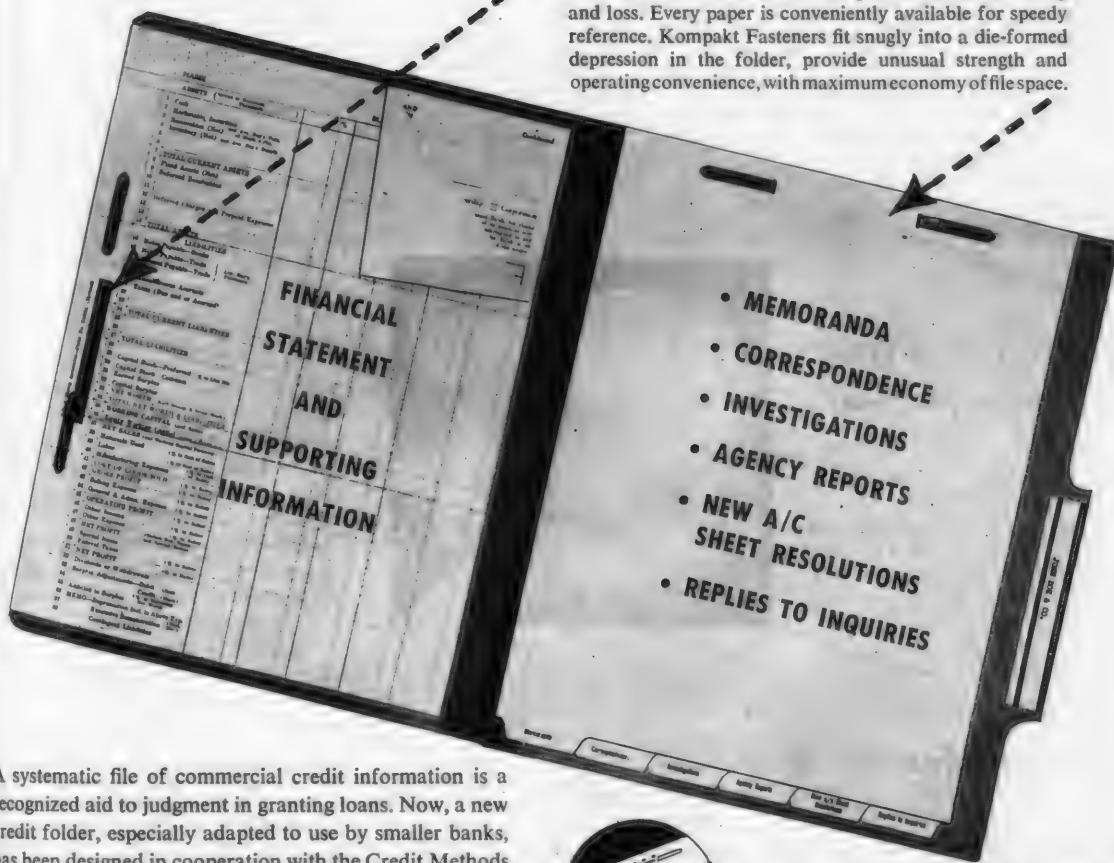
The First National Bank & Trust Company of Greenfield, Massachusetts, celebrates its 125th anniversary by publishing an attractive booklet, *Curious Stories and Little Known Facts, Past and Present, About Money and Banking in Greenfield and Its Environs*.

(CONTINUED ON PAGE 88)

# New CREDIT FILE FOLDER

Developed for Bank Loan Departments in  
Cooperation with Robert Morris Associates

**KOMPAKT FASTENERS**, built into these folders, make it easy to file credit papers in an orderly manner. Valuable credit data is protected from misfiling and loss. Every paper is conveniently available for speedy reference. Kompakt Fasteners fit snugly into a die-formed depression in the folder, provide unusual strength and operating convenience, with maximum economy of file space.



A systematic file of commercial credit information is a recognized aid to judgment in granting loans. Now, a new credit folder, especially adapted to use by smaller banks, has been designed in cooperation with the Credit Methods and Practices Committee of the Chicago Chapter of Robert Morris Associates. This folder provides an economical method for assembling essential credit data. In every folder, similar information will be found in the same location—a great time-saver. The financial statement, referred to most frequently in a majority of banks, is conveniently fastened on the left side of the folder. Other credit data is classified under six tabbed dividers on the right. For a free sample of the folder and detailed recommendations for using it, mail the coupon.



Also available for larger banks—Classfile folders to hold six classifications of credit data, and Twinpakt folders to hold two or four classifications. Write for samples.

#### CLIP THIS COUPON FOR DETAILED INFORMATION

REMINGTON RAND INC., 315 Fourth Avenue, New York 10, N. Y.

Please send free sample and prices of the new Credit File Folder for Banks. No obligation.

Name \_\_\_\_\_

Firm Name \_\_\_\_\_

Address \_\_\_\_\_

City and State \_\_\_\_\_

**Remington Rand**  
THE FIRST NAME IN BUSINESS SYSTEMS

## Methods and Ideas

(CONTINUED FROM PAGE 86)

The bank has "turned back the pages of local history to reminisce and recount some of the interesting and curious things which have taken place in the financial life of its townspeople." Some of the stories were obtained from old-timers, others were gleaned from old newspapers and town histories. All have to do with "money matters" and all are brief. Sketches are scattered through the text.

Not exactly a "money matter," perhaps, but most certainly one of eco-

nomic importance, is an excerpt from the diary of the Reverend Billings, who thus noted the donations he had received for an important feast:

"for Thanksgiving 1756,  
1 piece Beef Samu Mun  
Ditto Ens Childs  
1-4 mutton mr D. Wells  
1 spare rib and 2 chickens of Mr  
Nash  
1 Shoulder veal and 2 fowls of sergt  
Smead  
  
2 Large Fowls of Jos. Wells  
1 Fowl mrs nims



### Yesterday's Mail Plane — a museum piece today

The first mail plane will still fly . . . but it can't carry today's load . . . or meet today's schedules.

Manually operated perforators fall just as short of today's job. Cummins 300, the first mass produced electric perforator, brings the economy of electric operation to all sizes of banks . . . at about half the price of previous electric cancelers of same capacity.

**LOWER COST** — Its saving in direct labor alone will pay for the installation of a Cummins 300.

**SATISFIES EMPLOYEES** — Cummins 300 is easier to operate . . . practically eliminates physical effort . . . can be placed right at work instead of against wall . . . operated from sitting position.

**SPEEDS HANDLING** — Greater capacity and twice-as-fast operating cycle get jobs done on time . . . 20,000 checks canceled per hour . . . 5,000 in 15 minutes . . . 1,000 in three minutes . . . easily.

**OFFERS GREATER VALUE** — Mass production brings previously costly features at low price . . . more power, greater capacity, heavier construction than any other portable perforator or than any other perforator in same price class.

#### For Safety's Sake Perforate



Originators of Perforators. Manufacturers of Business Machines for Efficiency and Protection

#### MAIL THIS COUPON TODAY

##### CUMMINS BUSINESS MACHINES

Division of A.S.C. CORPORATION  
Formerly CUMMINS PERFORATOR

4752 Ravenswood Avenue, Chicago 40, Illinois

Please send me complete information on Cummins 300

Name \_\_\_\_\_ Title \_\_\_\_\_

Company \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ Zone \_\_\_\_\_ State \_\_\_\_\_

1 of mrs Allen  
1 Shoulder of pork Mrs Denio

### "The Seed\$ You Sow"

A director of the PHENIX NATIONAL BANK of Providence, Rhode Island, was riding downtown one morning with another Providence banker.

"Say," said the latter as they stopped in front of the Phenix, "why don't you fellows use that fine window of yours for advertising displays?"

"Displays?" replied the Phenix man. "Well, I don't know. Guess we haven't anybody who could fix up that sort of thing."

"Warren Evans of your staff draws cartoons for BANKING," said the other banker. "I'll bet he'd have some ideas."

So the bank assigned Cartoonist and Commercial Teller Warren Evans to the job of arranging a trial display of old automobile models for that window. It attracted much attention, and now Mr. Evans sets up three shows a month.

A recent exhibit was an array of model circus wagons, tents and other paraphernalia of the big top. A sign said: "Our two main features are inside — loans and checking accounts!" In another display a cut-out man was pushing a toy lawnmower over a lush greensward. "A good lawn," the public was reminded, "is like a savings account. Its growth depends on the **Seed\$ you sow.**"

One of the most successful displays was a group of ship models built by a customer of the bank. With it went this copy: "This bank served the public during clipper ship and sailing vessel days just as it does today . . . contributing to the development and expansion of American business."

### "The Northerners"

For 16 years THE NORTHERN TRUST COMPANY'S "The Northerners" have been entertaining the audience of Chicago's WGN with a weekly half-hour program of vocal music. It's the oldest continuously sponsored program in Chicago radio.

The bank began its sponsorship of the octet in January 1931 with a definite idea of what radio could accomplish for a long-established financial institution. Through low-pressure selling in short commercials the program has, the bank finds, identified NORTHERN TRUST as a substantial, trustworthy bank, and as a place where close personal relationships are readily established among customers, officers and staff. It has also invited the savings and checking accounts, personal and corporate trust

(CONTINUED ON PAGE 90)

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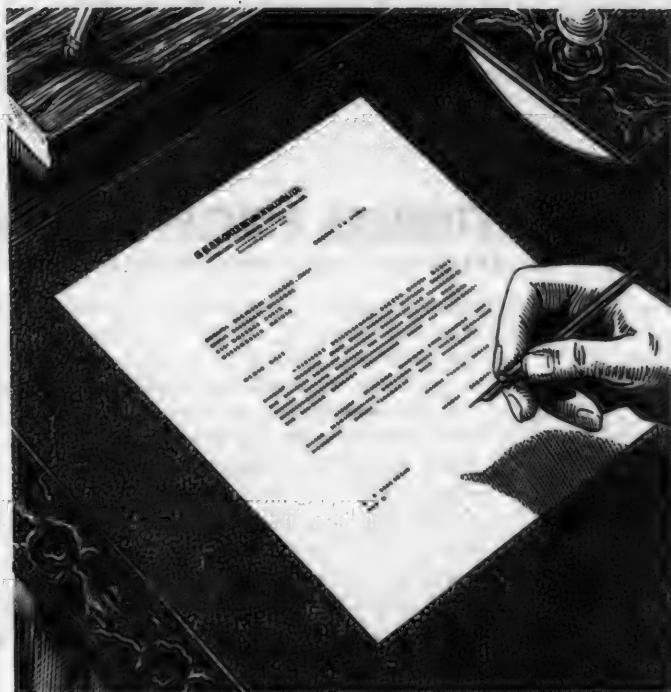
ANKING

# HAMMERMILL

# Cockletone

## BOND

*The finest letterhead paper ever produced by Hammermill craftsmen*



THE MAKERS of Hammermill Bond and Hammermill Safety now offer to American business the newest accomplishment of their know-how and resources... Hammermill Cockletone Bond. We invite you to compare it with any other fine quality letterhead paper. Note the unmistakable quality appearance and "heavier" feel to add impressiveness and dignity to your business messages. Hear the crisp, crackly snap that proclaims the best in bond paper quality. Judge its quality for yourself. Then consider it as a representative to reflect the character and prestige of your bank. (Available also are matching envelopes in appropriate sizes.)

*Look for this watermark*  
**HAMMERMILL**  
*Cockletone*  
**BOND**

**SEND FOR THIS  
FREE SAMPLE BOOK...**

Shows samples of paper in a variety of weights.  
• Compare HAMMERMILL COCKLETONE BOND with other quality papers. Make any test you like! • Even if you're not ready to order new letterheads right now, send the coupon today. Keep the sample book in your file to remind you.



Hammermill Paper Company,  
1501 East Lake Road, Erie, Pennsylvania.  
Please send me—FREE—a sample book showing  
the new HAMMERMILL COCKLETONE BOND.

Name \_\_\_\_\_

Title \_\_\_\_\_

Please be sure to write on, or attach  
coupon to, your business letterhead. B—JUL.

## Method and Ideas

(CONTINUED FROM PAGE 88)

business, and the bond purchases and sales of its listeners.

This idea has carried through the years. Likewise, the program has undergone little change. For a time "The Northerners" featured a male soloist; now three women add balance to the ensemble numbers and take turns at solo work. With the addition of the trio the octet also acquired a new director, Walter H. Steindel, assistant director of WGN's Chicago Philharmonic Orchestra.

More than 350,000 people, it is estimated, have attended the Wednesday evening broadcasts since the program went on the air.

### Know Rock Island

The ROCK ISLAND (Illinois) BANK AND TRUST COMPANY is developing a closer relationship among local manufacturers, the community and itself by sponsoring weekly lobby exhibits of products made in the city.

The series started in the Spring and is extending into early Summer. A full-page newspaper advertisement, announcing the displays, said they were "for the purpose of giving the people of



The Northerners

Rock Island an opportunity to become better acquainted" with the goods manufactured there.

President Ray W. Osterman reports that the exhibits have won much favorable comment and "have proved to be of much value from a public relations standpoint."

### About Banks

On a recent Michigan state holiday employee study groups at THE PEOPLES STATE BANK of St. Joseph visited the First National Bank and the Federal Reserve Bank, Chicago. Officials of

those institutions took the visitors on sight-seeing tours of the various operating departments. The Federal gave each guest a brochure about the bank and then the group had its picture taken with President C. S. Young.

The SCHENECTADY (New York) TRUST COMPANY has acquired the Union National Bank of that city. Total resources of the merged institutions are in excess of \$61 million.

The DETROIT TRUST COMPANY is offering 12 "business Oscars" to Michigan companies for outstanding annual reports. President S. D. Daume says the bank hopes to stimulate modernized reports as a means of explaining the American economic system to the public.

WORTHEN BANK & TRUST COMPANY of Little Rock has published a series of newspaper advertisements to mark its 70th anniversary. The copy was historical, bringing out the story of Worthen's growth with its city.

When the CENTRAL NATIONAL BANK OF CLEVELAND recently opened an office in suburban Euclid it sponsored an essay contest for the school children on the subject, "I believe every boy or girl should have a savings account."

## GIVE YOUR CUSTOMERS A HELPFUL SERVICE By selling them NATIONAL CITY BANK TRAVELERS CHECKS!



Your customers will appreciate your suggestion that they convert their travel funds into National City Bank Travelers Checks. Then, instead of money that is lose-able or steal-able they will have safe, universal currency that is spendable everywhere. Quick refund, if NCB Travelers Checks are lost or stolen!

YOUR BANK GETS THE ENTIRE COMMISSION ON EVERY SALE! You increase Your Bank's revenue by retaining all the selling commission of 1% on every sale of NCB Travelers Checks.

ORDER A SUPPLY OF NCB TRAVELERS CHECKS NOW!  
BE READY TO ACCOMMODATE YOUR CUSTOMERS

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*That in Worldwide Banking*

HEAD OFFICE—55 WALL STREET, NEW YORK 15, N.Y.  
Member Federal Deposit Insurance Corporation



# Business and Bank Credit

USINESS demands for credit from commercial banks have undergone no persistent decline in recent years, says a report just issued in book form by the National Bureau of Economic Research. What has changed is the type of credit required by business, and banks' practices in meeting these demands.

The volume, *Business Finance and Banking*\* covers the period 1900 through World War II. Financial support for the investigation has been provided by the Association of Reserve City Bankers, The Rockefeller Foundation, and the Carnegie Corporation of N. Y.

The authors of the study are Neil H. Jacoby, vice-president of the University of Chicago and professor of finance in the School of Business, and Raymond J. Saulnier, director of the Financial Research Program of the National Bureau of Economic Research and associate professor of economics in Barnard College, Columbia University.

## Revival in Use of Bank Credit

One popular interpretation of the broad changes in banking since the Twenties is that they indicate a persisting tendency for the business financing function of banks to decline, the study says. But the National Bureau analysis shows that "the adaptations made by banks in their business financing practices enabled them, during the revival years of the Thirties, to play a more important role in the business credit market than they did during the early Thirties. Whatever may have happened in the second half of the Thirties in the proportion of business loan assets to other assets of banks, it is clear that there was a revival in the absolute amount of bank credit used by business."

## Loans to Small Businesses

The report shows that small and medium-sized concerns provide the bulk of business demand for bank credit. Banks are showing increasing responsiveness to the demands of this group of borrowers by offering new types of loans better adapted to their credit needs. The greater risks involved in such lending are being met by the use of a wider range of security devices, such as the assignment of receivables, liens on income-producing equipment, the trust receipt, and the field warehouse receipt.

\*National Bureau of Economic Research  
New York. 230 pp. \$3.50.

## Banks and Instalment Credit

Banks have greatly increased their participation in the consumer instalment credit market. The report points out that commercial banks' share in this market rose from 4 percent in 1930 to 27 percent in 1940. Many of the barriers that had kept the banks from direct participation in this market were removed in the Thirties.

Banks have acquired a fairly substantial interest in the instalment financing of income-producing equipment and in lending on the security of assigned open accounts receivable. In fact, the authors find that in 1940 the banks surpassed the commercial finance companies in the volume of business done in these fields.

The interest of banks in new types of lending, the authors found, has been stimulated by the successful operation of commercial finance companies and consumer credit agencies. In addition, certain adaptations in bank lending practices have been due to closer competitive relationships with life insurance companies, investment banks, and factoring companies. Also, the entry of government agencies into the business credit market has had certain modernizing effects on bank lending policies and practices.

The changed competitive relationships in the business credit market, the cooperative arrangements among lenders, and the ways in which commercial bank activities have been affected by these new conditions are outlined clearly in the National Bureau study.

## Future Role of Commercial Banks

From their analysis Messrs. Jacoby and Saulnier conclude that "there is no reason to believe that in the calculable future the business financing functions of banks will be of less importance than at present."

"Recent developments strongly suggest," the report states, "that if the business economy continues to experience growth, if the banks make the adaptations which are within their power, and if the environment of public law and regulation within which banks operate is conducive to risk taking, there will be no decline in the demand for their business financing services."

This volume is the ninth and summary report in an investigation of the changing relations between business concerns and commercial banks.

## How to Cut Down Teller Errors



### Fas-Cash System Assures More Speed, More Efficiency

Now you can eliminate teller errors that occur during check-cashing transactions. The new Fas-Cash System makes it possible!

This proved method does away with the necessity for counting and proving money every time it is paid out. It enables your tellers to cash any check in as little as five seconds . . . cash up to 400 checks an hour.

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The Fas-Cash System has helped many other banks solve their check-cashing problems. It can help your bank, too. Send coupon today for complete information.

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Bank \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_

## Family Banking

(CONTINUED FROM PAGE 47)

throughout the five stories, and a public address system. The latter can be directed so that if you want to page Harry Jones it can be confined to the office section and not heard in the lobby. Also it will enable the president to talk to all the employees at once if necessary.

In the rear there is parking space and one corner of the area, under several pretty shade trees, is to be a baby carriage parking place with accommodations for about 12 carriages. There will

be a sand box and other things for children whose mothers must bring them along when they come to the bank.

Nearby is the garden banking department carried on in a flower-covered pergola. Here a customer can transact any kind of business that he can do inside the bank and it has been found in warm weather that about 25 percent of the bank's business is done "in the garden."

The inauguration of the new quarters was first heralded by a press interview. This was followed by a preview and reception to which were invited several

hundred bankers and business leaders. Finally there was a general public reception prior to the formal opening. On this occasion Mary Margaret McBride of radio fame broadcast an interview with President Roth directly from the bank to her millions of listeners.

Realizing that a few years ago the bank had four employees, one is impressed by the amount of space now occupied. There are more than 120 employees today. At the time of the various receptions in connection with the opening, President Roth anticipated the question, "What are all these desks for?" He put a name card and the type of job done by every employee on each desk. For example, "Mary Jones, Commercial Bookkeeper."

While the architects were making the plans, President Roth did not allow them to overlook the needs of the employees. There is a fine expanse of lawn which will accommodate some greenery, tables, beach umbrellas and chairs where employees can relax during the summer months. There is also space allotted for an inside recreation room with a library, reading lamps and comfortable chairs.

All the furniture in the bank will be new when the changes are finally completed. The clocks throughout are master-controlled and there will be a four-face clock in the tower, including a 16-note carillon.

One of the special features in the bank, which is believed to be the only one of its kind, is a television arrangement for flashing check pictures from the tellers downstairs to the bookkeeping department on the second floor. When information is wanted regarding identification or balances the check is televised to the bookkeeping department. The latter, by a pushbutton arrangement, can print right on the check the necessary symbol indicating whether the check is good, insufficient funds or any other information. If a conversation is necessary on the matter between the bookkeeper and the teller, this will be recorded on a wire just in case any difference of opinion develops in the future as to what was said. The equipment was built particularly for the bank, at President Roth's request, by a negro inventor who has a television and radio workshop not far from the bank.

## Warning! - - -



Check the amount of your insurance against the present cost of reproducing your property. Construction costs are increasing and there is danger that you are underinsured. It costs less to transfer your risk to an insurance company than it does to assume the burden of a loss.

### THE PHOENIX INSURANCE COMPANY Hartford 15, Conn.

The Connecticut Fire Ins. Co.  
Hartford, 15, Conn.

Atlantic Fire Insurance Company  
Raleigh, North Carolina

Great Eastern Fire Insurance Co.  
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Reliance Insurance Company of Canada  
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Equitable Fire & Marine Ins. Co.  
Providence 3, R. I.

The Central States Fire Ins. Co.  
Wichita 2, Kansas

Minneapolis F. & M. Ins. Co.  
Minneapolis 2, Minn.

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### Have You FHA Mortgages For Sale?

We have institutions willing to purchase existing FHA mortgages on Rental Housing Projects insured under Sections 207, 210 or 608.

### LIBERAL PREMIUMS PAID

### Servicing Remains With Present Holder

We are also interested in the purchase of FHA mortgages insured under Sections 203 and 603 on the same basis as above.

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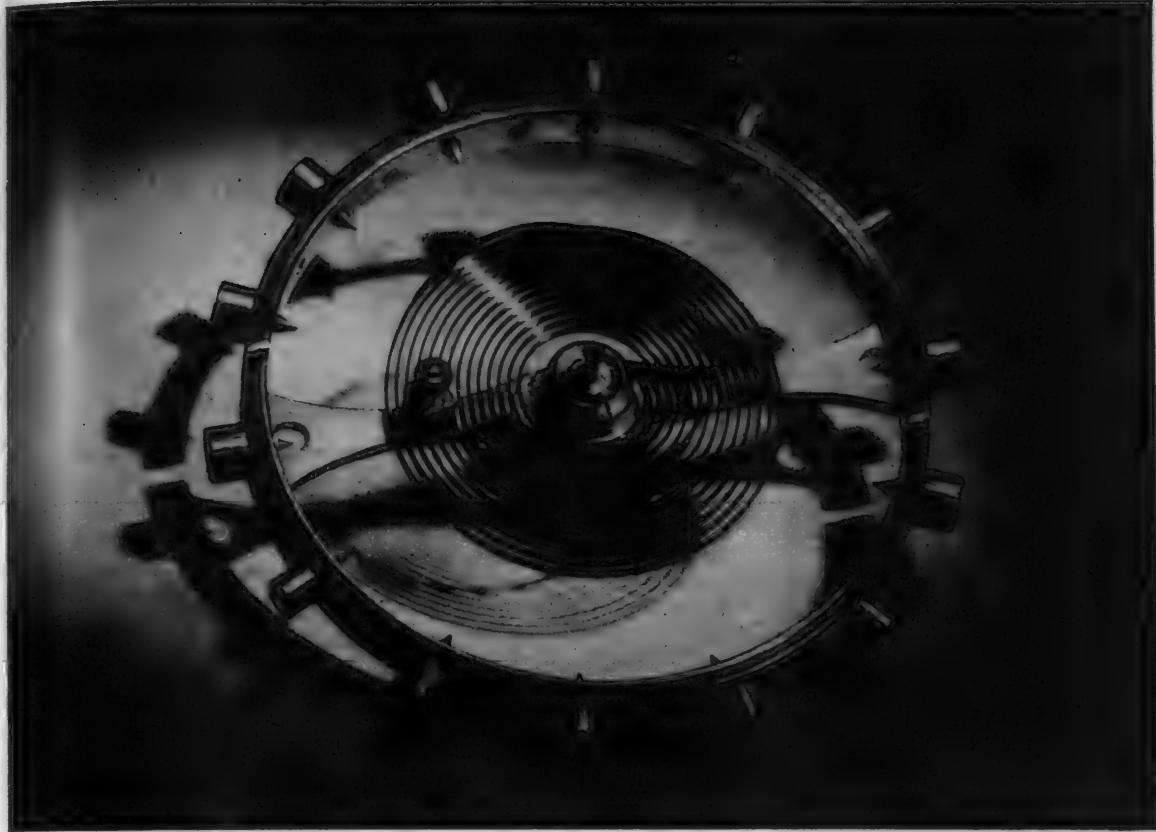
163-18 JAMAICA AVENUE

Telephone JAmaica 6-2800

JAMAICA, N. Y.

WIRE—TELEPHONE—WRITE

We are told the number of automobiles this year will increase by leaps and bounds. The pedestrian will have to do the same thing to keep from decreasing.



## BANKING . . .

### BALANCE WHEEL OF BUSINESS

To some, a bank is merely a place for the safekeeping of money.

To others, their bank is an organization of many capabilities developed and designed to serve them.

To all, banking is an indispensable adjunct of business.

When opportunity knocks, it is frequently bank credit that makes it possible to act.

In countless ways, banking operates in the interplay of money and goods that modern business, *all business*, demands.

And more—banking provides the valuable intangibles of steady experience and seasoned counsel. Thus the bank is able to act as a balance wheel to the driving force of business.

## THE PHILADELPHIA NATIONAL BANK

*Organized 1803*

PHILADELPHIA 1, PA.

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION



## TO GUESS OR TO KNOW...

**T**O GUESS is expensive when it costs so little to know. American Appraisal Service removes uncertainty about property values.

### The AMERICAN APPRAISAL Company

Over Fifty Years of Service

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- Loan Passbooks
- Commercial Passbooks
- Pocket Check Cases
- Personalized Check Covers
- Deposit Slips
- Passbook Envelopes
- Statement Sheets
- Machine Posting Passbooks
- Bill Straps
- Coin Wrappers
- Pen Ruled Forms

William

**EXLINE Inc.**

1274 Ontario Street, Cleveland 13, Ohio

## Safe Deposit

(CONTINUED FROM PAGE 33)

not discharge the duty that it owed its box renter by merely making a formal protest against such action and stated the company had not shown that the property was taken by due legal process. It is apparent that extreme care should be exercised in such transactions and that a carefully considered policy should be adopted to insure proper procedure in such matters.

### Advertising

As with other phases of this particular business, caution is required in exploiting the value of safe deposit facilities. It is easy to make extravagant claims for which a bank assumes liability. A claim of virtue becomes a promise of performance. When in response to a representation that boxes are absolutely "fire and burglary proof" a client rents a box which is subsequently burglarized, the bank is faced with damages. The dangers of sales enthusiasm are suggested by the still untested effects of atomic energy.

### Is Insurance a Primary Defense?

To be sure, a bank can protect itself to a degree by adequate insurance. On the other hand, the confidence that a bank must inspire is a delicate fabric and cannot be exposed too frequently to dangerous tests. Recurring claims against a bank, even though the lessors are fully indemnified by liability insurance, tends to undermine faith in the bank or safe deposit company. Such insurance can at best be only a secondary defense and could not possibly compensate for loss of confidence.

### Need for Model Code

Many states still lack legislation governing safe deposit operations. Such legislation, in spite of the doubtful freedom which its absence gives to a bank, is desirable. If sound, it codifies the practices prevailing in the business and establishes clear-cut rules that define liabilities and describe rights. This is desirable for both the bank and its client. The failure to recognize the many benefits accruing to all engaged in the business by the adoption of legislation founded upon sound principles of practice, custom and procedure built up through years of experience seems inexcusable.

When the safe deposit business was first started in this country shortly after

(CONTINUED ON PAGE 96)

## SALES EXECUTIVE FIELD WAREHOUSING

Earning \$6000.00 salary or more. If you are worth more address long established corporation. Room 619, Guardian Building, Cleveland, Ohio.

### Safeway Stores, Incorporated

#### Preferred and Common Stock Dividends

Notice is hereby given that the Board of Directors of Safeway Stores, Incorporated, on June 6, 1947, declared quarterly dividends of 25c per share on the Company's \$5 Par Value Common Stock payable July 1, 1947, to holders of such stock of record at the close of business June 19, 1947, and \$1.25 per share on the Company's 5% Preferred Stock, payable July 1, 1947, to holders of such stock of record at the close of business June 19, 1947.

MILTON L. SELBY, Secretary.

June 6, 1947.

### THE TEXAS COMPANY



179th Consecutive Dividend paid by The Texas Company and its predecessor.

A dividend of 50¢ per share or two per cent (2%) on par value of the shares of The Texas Company has been declared this day, payable on July 1, 1947, to stockholders of record as shown by the books of the company at the close of business on June 6, 1947. The stock transfer books will remain open.

L. H. LINDEMAN

May 27, 1947

Treasurer

### SOLID BRONZE BANK SIGNS AND TABLETS

Select International Bronze signs and tablets for your bank. Wide choice of standard and custom designs. Estimates and special sketches cheerfully submitted. Superb workmanship, modest prices, satisfaction guaranteed. Write for free illustrated Catalogue B. SHOWS HONOR ROLLS, AWARDS and other bank needs.

INTERNATIONAL BRONZE TABLET CO., INC.  
16 Beach Street, New York 13, N.Y.

BANKING



## What every bride shouldn't know:

WHAT it feels like to be poor . . .

What it feels like when your first-born needs an expensive doctor—and you can't afford it . . .

What it's like wanting a home of your own . . . and never quite getting it . . .

What it's like having your kids grow up not knowing whether they'll ever get to college . . .

What it's like to see your friends able to travel abroad—but never you . . .

What it's like to have to keep telling yourself, "He may not have money, but he's my Joe."

There is no cure-all for all these things.

But the closest thing to it for most of us is something so simple you almost forget it's there.

It is the Payroll Savings Plan. Or—for people not on payrolls—the new Bond-a-Month Plan at your bank.

Each is a plan for buying U. S. Savings Bonds automatically.

Either one of these plans helps you—as does no other system we know of—to save money regularly, automatically, and surely, for the things you want.

So if you're a newlywed or know one, here's a bit of friendly advice to take or give:

**Get on the Payroll Savings Plan where you work or the Bond-a-Month Plan where you bank.**

It's one of the finest things you can do to start married life right.

## Save the easy, automatic way...with U.S. Savings Bonds

Contributed by this magazine  
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## Safe Deposit

(CONTINUED FROM PAGE 94)

the close of the Civil War, it operated under established usage and equitable principles to which banks tried to adhere. In practice, however, many blank spots developed not covered by this unwritten law. They created differences of opinion regarding the definition of negligence, the degree of liability assumed by the lessor and the proper relationship between the customer and the bank. The application of the then established principles of the business failed to resolve these questions satis-

factorily and led opposing schools of thought to the courts to adjudicate their differences.

It was in the adjudication of these differences that the courts established a body of precedents. Unfortunately, questions arose in the course of operation that were extremely complex, such as the definition of reasonable care under certain circumstances. As the safe deposit business expanded, its problems grew more involved. New responsibilities and liabilities emphasized that reliance upon common law was unsafe and that there had not as yet been sufficient case history developed.

Ex Savings Bank*	53-112	Malden, Middlesex County Na- 53-209	Nantucket, Pacific N
	113	tional Bank, Branch of 113	Bank*
Wren Morris	53-120	Everett*	Natick, Natick Five
king Co.*	113	Manchester, Manchester Trust 53-607	Savings Bank*
Wren Morris Savings	53-114	Company*..... 113	Natick, Natick Trust
	113	Mansfield, First National Bank* 53-578	Needham, Needham
National Bank*	53-528	113	Bank*
	113	Marblehead, Marblehead S	Norfolk C

KEY TO NATIONAL SYSTEM AMERICAN BANKERS ASSOCIATION WITH CHECK ROUTING SYMBOLS			
MEMO			
The new 1947 A.B.A. Key Book with Check Routing Symbols is now available. It contains all annual changes in transit numbers and check routing sym- bols. Order yours today. \$3.00 a copy			
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Saving	Bank	113	Saving	Bank	113
stitution for	1	113	Newton Center, N	national Bank,	Newton.
Morris Plan Co.	53-92	Millbury National 53-520	Newton Center, Ne	Waltham Bank	Co., Newton C
Safe Deposit &	53-84	Bank*..... 113	Waltham	of Waltham.	
returers-Central	113	Millbury, Millbury Savings 53-521			
Bank of Lynn*	113	Bank*..... 113			
Trust Company*	53-85	Milton, Blue Hill Bank & Trust 53-426			
		Co.*..... 113			
		Milton, Milton Savings Bank* 53-427			
		and Branch..... 113			

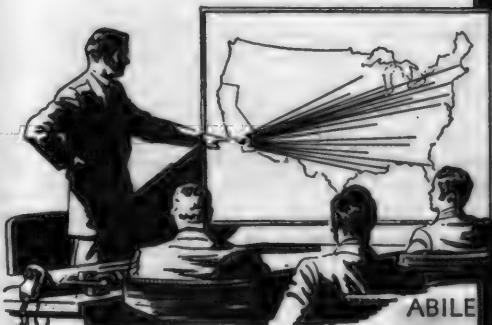
The question of negligence or degree of negligence, even though adjudicated many times, resulted in decisions based upon peculiar circumstances for which no precedent had been established. Case after case was tried in the courts to resolve many borderline questions in connection with powers of attorney, deputyship appointments, gifts of contents of safe deposit boxes, attachments etc. The results of these decisions, however, did bring about a somewhat better understanding of the nature and complexities of the safe deposit business and supported to a certain extent established rules prescribed by custom and usage, but, unfortunately, no marked degree of uniformity of practice was established, leaving many controversial questions unsettled.

The American Bankers Association, together with the New York State Safe Deposit Association, has taken the leadership in this problem and has already prepared a tentative draft of a model safe deposit code. This code will shortly be available to all state associations.

The banks themselves can and should take an active part in these efforts to improve the conditions under which their safe deposit departments operate. With a clarification of duties and sharper definition of rights and responsibilities, the safe deposit function can become a satisfactory, integral function of banking. It can and should contribute both to the prestige and the profit of the bank.



"If you'll be kind enough to notice, Sir,  
I have a very determined expression!"



ABLE  
AKRON, OH  
PA. \$86,249.03 —

# 150,000 OUTGOING COLLECTIONS *annually*

AMARILLO, TEXAS \$136,802.05 — AUSTIN, TEXAS \$58,088.14

BANGOR, MAINE \$33,249.31 — BATON ROUGE, LA. \$30,351.53

BISMARCK, NORTH DAKOTA \$76,130.09 — BOISE, IDAHO \$43,537.31 —

BRIDGEPORT, CONNECTICUT \$12,804.78 — BURLINGTON, V.T. \$34,210.90

BURLINGTON, VERMONT \$45,929.

N.J. \$43,844.26 — CHARLESTON, S.C.

TENN. \$115,703.53 — CLARKSBURG, W.V.

CAROLINA \$126,259.78 — COVINGTON,

DAYTON, OHIO \$152,574.92 — DEADWOOD,

\$301,577.29 — ERIE, PENNSYLVANIA \$68,

FORT WAYNE, INDIANA \$75,709.77 — GR.

MONTANA \$63,098.22 — HAVRE, MONTA-

HASTINGS, NEBRASKA \$5,488.53 — HUNT-

JOHNSTOWN, PENNSYLVANIA \$57,596.94

KENTUCKY \$62,966.08 — MANCHESTER,

\$111,461.17 — MOBILE, ALABAMA \$109,3

KENTUCKY \$16,499.87 — NEW BEDFORD, MASS.

NORFOLK, VA. \$10,000.00 — PORTLAND,

MAINE \$144,722.15 — PUEBLO, COLORADO \$11,129.32 — QUINCY, ILLINOIS

\$47,062.00 — READING, PENNSYLVANIA \$45,786.24 — ROANOKE, VIRGINIA \$46,047.54 —

ROCKFORD, ILLINOIS \$83,800.57 — SCRANTON, PENNSYLVANIA \$166,400.62 — SIOUX

FALLS, SOUTH DAKOTA \$67,923.96 — SPARTANBURG, S.C. \$1,000.00 — TACOMA, WASH.

SPRINGFIELD, MASS. \$237,427.88 — TACOMA, WASH. \$1,000.00 — TACOMA, WASH.

SYRACUSE, NEW YORK \$89,560 — TACOMA, WASH. \$1,000.00 — TACOMA, WASH.

TERRE HAUTE, INDIANA \$30,000.00 — TACOMA, WASH. \$1,000.00 — TACOMA, WASH.

TOLEDO, OHIO \$207,449.50 — TACOMA, WASH. \$1,000.00 — TACOMA, WASH.

TRINIDAD, COLORADO \$32,713.23 — TACOMA, WASH. \$1,000.00 — TACOMA, WASH.

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Each year this bank forwards to its correspondents and other banks over 150,000 collections. Each collection is sent direct to a bank in the town or city of which the item is drawn. Each one represents a measure of profit, direct or indirect, for the receiving bank.

If a banking connection on the Pacific Coast would prove useful and helpful to your bank, we invite you to open your account with us.

## SECURITY-FIRST NATIONAL BANK

123 OFFICES AND BRANCHES  
RESOURCES OVER 1.5 BILLIONS

MEMBER FEDERAL RESERVE SYSTEM  
MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

# A. B. A. Witnesses Oppose Loan Guarantee

THE threat to the continuance of the dual banking system contained in current legislative proposals to permit the Federal Reserve banks to guarantee the loans made by commercial banks under regulations to be promulgated by the politically appointed Federal Reserve Board, was stressed by the American Bankers Association in testimony

before the House Banking Committee on H. R. 3268, a bill to grant such power to the Federal Reserve System.

A.B.A. witnesses who testified were Earl B. Muir, president of the Louisville Trust Company, and a member of the A.B.A. Small Business Credit Commission; and Kenton R. Cravens, vice-president of the Mercantile-Commerce

Bank & Trust Company, St. Louis, a member of the Association's Credit Policy Commission.

Mr. Muir pointed out that "while the Reserve Banks are owned by the member banks, the guarantees to be given by the Reserve institutions will be given under regulations of the Federal Reserve Board." The Board, he said, "is closely related to the Government."

Stating that "the dual system of banking has been under attack more than once" by the present chairman of the board, Mr. Muir asserted that the Board could use the loan guarantee authority as a lever to pressure non-member banks into the system. He warned that a guarantee system such as that proposed would take the risk out of the making of loans, lead to unsound lending and stimulate inflation.

"It is our opinion that the function of the central bank should not be one of lending to its member's depositors, however indirectly," he declared. "Credit judgment and responsibility belong with the lending bank. If a loan is good, the bank should make it. If the risk appears too great, it should not be passed on to some tax supported insurance fund. If only hazardous loans are insured, the fund would soon suffer heavy losses."

Mr. Cravens discussed the general question of direct lending by government agencies and indirect lending through guarantees of bank loans by the agencies with particular respect to the activities of the Reconstruction Finance Corporation.

Warning that if the recession predicted by many should develop on a large scale, Mr. Cravens stated that "losses on guaranteed loans would have to be paid out of funds collected from the people, and that funds of all of the public would be used to defray the losses incurred by banks in supporting marginal businesses."

"No banker has a right to expect that  
(CONTINUED ON PAGE 100)

Mr. Muir at hearing of House Committee on Banking and Currency, investigating the national credit picture



MELTING SCRAP LEAD from discarded telephone cable. It is smelted and refined at a Western Electric plant. The lead ingots will return to service as new cable sheathing.

*He's cooking up telephone service*

The salvaging of worn-out equipment has always been important in the telephone business. It's more important than ever right now.

For it isn't just so many pounds or tons of lead and copper and zinc and steel that come out of it. It's telephone service.

Every bit of recovered material helps to relieve shortages and enables us to build more of the telephone equipment we urgently need.

That means better, quicker service for everyone. It also brings telephone service nearer to those who may have been waiting for a long time.

So salvaging is more than salvaging these days.

It's the voice of a friend. A hurry-call to the doctor. A visit with someone in a distant city. Somebody's link with everything and everybody, everywhere.

BELL TELEPHONE SYSTEM





## SIGN of a progressive store

Here are some typical outstanding stores in which Otis Escalators have recently been installed:

STONE & THOMAS  
Wheeling, W. Va.

THE MAY COMPANY (Crenshaw Store)  
Los Angeles, Calif.

SEARS, ROEBUCK and CO.  
Salt Lake City, Utah

R. H. WHITE CO.  
Boston, Mass.

D. H. HOLMES CO., Ltd.  
New Orleans, La.

L. S. DONALDSON CO.  
Minneapolis, Minn.

B. ALTMAN & COMPANY  
New York, N. Y.

Why have 44 more of the nation's most progressive stores recently decided to install Otis Escalators . . . and why are 23 others extending their present Escalator service to higher floors?

- Because Escalators induce customers to visit *every sales floor* in the store.
- Because Escalators give upper floors *main-floor convenience*.

Yes, Escalators mean progressive stores — and progressive stores are sound investments.

"Escalator" is a registered trademark of the Otis Elevator Company. Only Otis makes Escalators.



# What will this year's vacation really cost you?



**FIGURING what your vacation will cost you? If so, remember that the amount you plan to spend may unfortunately prove to be only a small part of the total expense. For instance—**

Any number of serious things may happen while you are away. You may be involved in an accident, one of the most frequent causes of vacation trouble, and be held financially liable. Or you may return to face a law suit for an accident that occurred at home during your absence. Suppose your home was burglarized or was severely damaged? Any of these occurrences could easily take all the joy out of your holiday or might wipe out your bank account UNLESS YOU ARE PROPERLY INSURED.

Don't go fishing for trouble when trouble in terms of financial loss can be easily and happily avoided. Cross off these possibilities of loss right now! Our FAMILY POLICY protects you against loss due to liability for damages and also against loss by theft, not only during vacation but throughout the year, wherever you or your family may be. Ask our agent or your broker about this exceptional protection NOW.



(CONTINUED FROM PAGE 98)  
other businesses and individuals will underwrite him," he added.

"On the other hand, if we are to continue in a period of prosperity, in an upward swing of the cycle, why do we need guarantees at all?

"We are opposed to governmental banking on the grounds that it uses tax money, free of charge, and in turn pays no taxes and therefore represents an unfair advantage on a competitive plane," he continued. "More important, it is the first step towards the nationalization of our banking system and the end of free enterprise.

"If Congress, after review of the prospective economic outlook, wishes to maintain a government institution extending credit to the marginal borrower, we think that institution ought to ask from year to year, for an appropriation from Congress and be made to explain why it needs the money it is asking for. After securing that money, it should then pay the Treasury the going rate on such funds, so that the Treasury will not lose on the transaction."

Mr. Cravens said that "there are even deeper implications in direct government lending in guarantee of bank loans by government agencies.

"They are ultimately expensive to the taxpayer where government economy should be paramount," he continued. "Through their extensive use bureaucrats could eventually control virtually all of the industrial and business credit which is the lifeblood of business and free enterprise. If Congress feels that there is a need for banking services by governmental agencies beyond that now being afforded by the 14,000 banks, those agencies ought to be set up not with a revolving fund or the rights to borrow on their own account, but as bodies responsible to the Congress, required to petition the Congress from year to year, for additional funds and to make an accounting for the funds already used."

*Left to right: Everett D. Reese, president, Park National Bank, Newark, Ohio; Mr. Cravens; and Walter B. French, deputy manager, A.B.A., at hearing of House Committee on Banking and Currency, investigating the national credit picture*



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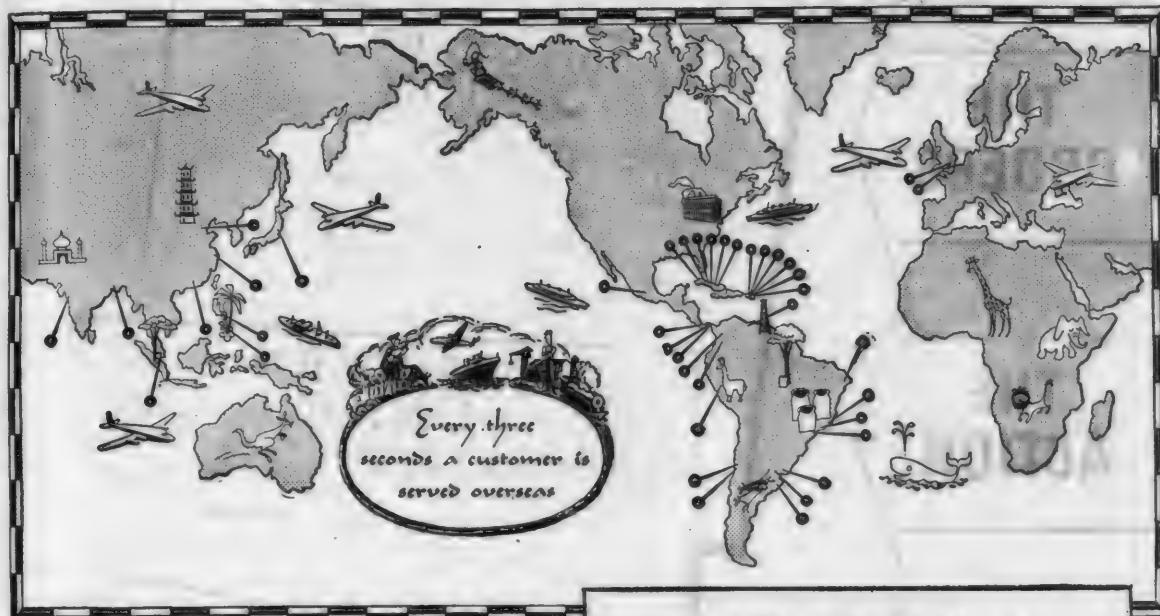
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# The small-town bank that grew to be First in World-Wide Banking



*The City Bank  
of New York  
at 52 Wall St.  
in 1812*



*The 18 states in 1812*

**I**N 1812, at the start, the City Bank functioned just in a local way in little old New York. Not at first was the City Bank serving the whole world in its mission to develop business and create more and better jobs. The Bank has worked forward over the generations through a succession of national ups and downs.

Indeed, the day the City Bank was founded, June 16, 1812, the young republic was on the verge of a conflict to be fought on its own soil. President Madison announced the start of war two days later.

Well, a lot has happened between 1812 and 1947. Then there were 18 states in the Union. Only 96,373 people lived on Manhattan Island. Now the Bank's customers in Greater New York and in every commercial area of the world outnumber that population by many hundreds of thousands. During every one of its 135 years the Bank (a national bank since 1865) has expanded its services and widened its enormous circle of clients and friends.

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**135<sup>th</sup>**  
**A N N I V E R S A R Y**

**1812**



**1947**

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Rosario			
SRAZIL	CHILE	HONG KONG	PUERTO RICO
Rio de Janeiro	Santiago	INDIA	San Juan
Recife	Valparaiso	Bombay	Arecibo
(Pernambuco)		Calcutta	Bayamon
Santos	CUBA	JAPAN	Caguanas
Sao Paulo	Havana	Tokyo (Limited)	Mesaguan
CANAL ZONE	Cuarto Caminos	MEXICO	Ponce
Balboa	Galiano	Mexico City	REP. OF PANAMA
Cristobal	La Lonja	PERU	Panama
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ACTION**

**THE  
RESULTS**

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POLLOCK.

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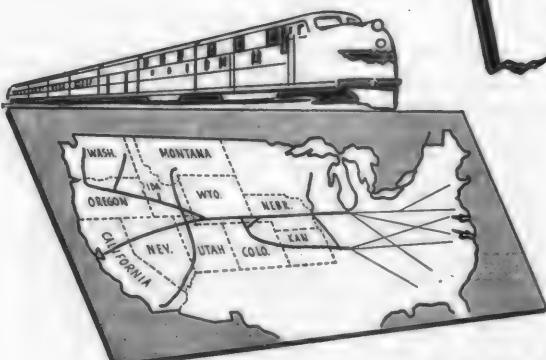
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## EDITORIAL

# THE CONDITION OF BUSINESS

By WILLIAM R. KUHNS

**The Outlook.** In the opinion of a group of banking leaders representing all parts of the country, the balance of 1947 promises a high degree of stability.

The bankers were asked about the outlook for loans, interest rates, prices, inventories and other matters and, while their answers showed some differences as between areas and industries, the prevailing note was one of confidence.

**Initial Survey.** This was the first of a number of surveys by the Credit Policy Commission of the American Bankers Association covering members of that Commission as well as members of the Small Business Credit Commission and others making up a selected list of more than 500 bankers. While a detailed report of the survey must await more complete returns, the replies received up to the time of going to press are sufficient to establish a fairly definite pattern.

**Loans.** The first question was:

What do you believe will happen to the dollar volume of loans made by banks in your section during the balance of 1947?

Here the majority felt that there would be an increase in loans. Forty percent of those answering thought that the increase would be up to 10 percent. Only 14 percent believed that there would be a decline.

The second question was:

Has there been any over-investment in inventories by business concerns in your section?

The majority in this case reported a tendency toward over-investment in inventories in all three categories of manufacturing, wholesale and retail concerns. Seventy-four percent of the bankers answering this question thought that such over-investment had occurred in retail concerns, 66 percent in wholesale companies, and 58 percent in manufacturers.

Another question was:

Are there any signs of slowing up in the ability of borrowers to meet their repayment schedules?

Of all those answering this question, about half said there was a general slowing up and the other half held the opposite view.

A question on consumer credit called for an indication of the purposes for which personal loans were being made. In 10 of the Federal Reserve districts the purchase of an automobile headed the list of purposes for which loans were being made. Other purposes, in the order of their importance, were household appliances, living expenses, sickness, business, and furniture.

This was the question on price resistance:

According to the retailers in your section is there growing evidence of consumer resistance to high prices?

Regarding soft goods, in only two Federal Reserve districts did the majority seem to feel there was any serious resistance.

The majority in seven districts reported a slight resistance and in the others the opinion seemed to be fairly evenly divided.

As to hard goods the picture was slightly different. The majority in every district reported that there was some resistance, although not serious.

Another question was:

What has been the trend during the past six months as to interest rates on bank loans?

The majority of replies up to this time indicate no appreciable change. However, 40 percent saw rates increasing by anywhere from  $\frac{1}{4}$  to  $\frac{1}{2}$  percent.

**Where to Find Trouble.** While a group of opinions like this is susceptible of many different interpretations, one thing stands out conspicuously by its absence. There is no evidence of any serious domestic threat to business stability. If we want to find trouble we must look abroad where there is a wide selection.

The one primary need for business progress from here on is the assurance of world peace and balanced trade, and these are things which unfortunately are not under our sole control.

What this world needs is a good fair, the like and scale of which has never been attempted before. It should be at some place on the continent of Europe, preferably Paris. Fairs have always been symbolic of peace and commerce and in these days such an event would be a welcome substitute for international meetings of one sort or another which seem to lead only deeper into confusion.

Since the World's Fair in New York we have had an impressive period of engineering and scientific development. What is needed today is a large-scale demonstration of what is now possible in farm and industrial production, in distribution, transportation and communication. This would have to be of such nature and dramatic quality that no iron curtain could conceal it.

On display would be not only the spectacular things like atomic progress, radar, television and jet planes but chiefly those things which relate to a potentially higher standard of living for everyone, such as developments in farm machinery, in coal and other mining machinery, electrical and diesel power, textile and shoe machinery, home equipment, medicine, new uses of wood and light metals and a thousand others.

Such a fair would be a focal point for powerful advertising efforts to let the world know what it has. It would be a source of a type of international news more encouraging than we have been getting for years, and much healthier economically.

In addition to supplying a transfusion of constructive faith into the news stream, such a fair would furnish Europe with a great many needed dollars.

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